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REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1996-1997

Report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 1996-1997 ended 31 December 1997*

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LETTER OF TRANSMITTAL

Sir,

I have the honour to present to the Industrial Development Board through the Programme and Budget Committee my report and audit opinion on the financial statements of the United Nations Industrial Development Organization for the financial period 1996-1997 ended 31 December 1997, which incorporate the financial statements of the Industrial Development Fund for the same biennial period.

For information purposes, I enclose also copies of my audit opinion on the statements showing, as at 31 December 1997, the status of funds advanced by the United Nations Development Programme and the United Nations Population Fund to the United Nations Industrial Development Organization.

Accept Sir, the assurances of my highest consideration.

[*Signed*]

Dr. H. von Wedel
President of the Federal Court of Audit
Germany
External Auditor

Enclosures

The President of the
Industrial Development Board
through the Chairperson of the
Programme and Budget Committee
UNIDO
A-1400 Vienna, Austria
Österreich

I. GENERAL

1. I have audited the accounts of the United Nations Industrial Development Organization (UNIDO) for the financial period 1 January 1996 to 31 December 1997 in accordance with Article XI of the Financial Regulations of the Organization and the "Additional terms of reference governing the audit of the UNIDO" appended thereto.

2. Since the financial statements of the Industrial Development Fund (IDF) for the period 1 January 1996 to 31 December 1997 have been incorporated into the UNIDO financial statements for the fiscal period ended 31 December 1997, the results of the internal audit examination of the IDF accounts for the financial period under review have been taken into account in the present report.

3. The audit was carried out by staff of the German Federal Court of Audit at UNIDO Headquarters in Vienna and at the UCD offices in Hanoi, Viet Nam, and Buenos Aires, Argentina. The examinations were performed in accordance with generally accepted auditing standards, in conformance with international standards, and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. Those standards are designed primarily for the purpose of forming an opinion on UNIDO's consolidated financial statements. Consequently, my work did not involve a detailed review of all aspects of UNIDO's budgetary and financial information system and the results cannot be regarded as a comprehensive statement on them. In addition to my audit of the accounts and financial transactions, I carried out reviews under financial regulation 11.4. These reviews primarily concern the economy, efficiency and effectiveness of the financial procedures and internal financial controls and, in general, the administration and management of the Organization.

4. The scope of my audit of the UNIDO accounts and activities during the fiscal period 1996-1997 included the following areas: budgetary, accounting and financial reporting procedures, cash management, contracts and purchases, technical cooperation activities, project management cycle, electronic data processing systems, personnel matters including the organizational structure of UNIDO, and the 1996 staff reduction exercise.

5. In line with established audit practice and procedures the findings and conclusions contained in this report have been discussed by the audit team with senior officials of the Organization. Their comments and observations have been incorporated into the report where possible and appropriate.

6. On the basis of the contents of the relevant parts of the present report, I shall report separately to the governing bodies of the United Nations Development Programme (UNDP) on the results of my audit of the accounts and activities of UNIDO as an executing agency of the UNDP during the financial period 1996-1997. My audit opinion on the statements showing the status of funds advanced to UNIDO by UNDP and UNFPA as at 31 December 1997, however, has already been forwarded, as requested, to the latter Organizations.

II. SUMMARY OF FINDINGS AND CONCLUSIONS

7. The outstanding balance of regular budget assessed contributions for the biennium 1996-1997 amounts to US$ 47,090,945.

8. The excess of the balance of appropriations over expenditure plus excess of total income over approved estimates in the amount of US$ 39,373,500 at the end of the biennium 1996-1997 represented 16.6 per cent of the appropriations. Comparing this amount with prior fiscal periods one has to take into account that a considerable amount of assessed contributions was outstanding.

9. The unliquidated obligations of the General Fund and the Working Capital Fund carried forward to the biennium 1998-1999 totalled US$ 11,685,00 0.

10. The amount of unliquidated obligations in the UNDP Operating Fund is still significantly high.

11. As at 31 December 1997 the reconciliation of the balances of UNIDO's bank accounts with those of the relevant bank statements was up-to-date.

12. The Director-General agreed that UNIDO may accept contributions-in-kind without support costs if this is required in order to obtain the contribution. This decision being a departure from long standing principles of the UN could negatively affect the Regular budget and should be reconsidered. The amount of contributions-in-kind is now disclosed in the notes to the financial statements.

13. The cash and term deposits balance of US$ 13.5 million should not lead to the impression that the financial situation of UNIDO has been satisfactory. A lot of necessary expenditures have been postponed and there is also a high amount of short-term liabilities which exceeds the cash balance.

14. Total liquid cash at the end of the 1996-1997 biennium amounted to a negative figure of about US$ 11.8 million. UNIDO is therefore again depending fully on the timely payment of contributions by the Member States.

15. As there are not enough voluntary contributions an amount of about US$ 11 million of prior years outstanding contributions which is expected to be collected in 1998 will fully be needed for the voluntary part of the staff separation programme.

16. Assuming full implementation of the regular budget the cash flow forecast for 1998 ends with a negative cash balance of about US$ 3.1 million.

17. Several orders for supplies were placed or contractual arrangements were made without adhering to the established procedures.

18. UNIDO does not have a publication strategy or a comprehensive marketing concept. There is no unit which is responsible for the development and implementation of a publication strategy. The Organization does not have the data for cost-accounting. UNIDO should identify the full costs of publications and bring them to the knowledge of the Member States.

19. In the programme and budget proposal for 1998-1999 UNIDO proposes that the responsibility for the provision of Buildings Management Service (BMS) should be transferred to another agency. It cannot be expected that this would lead to any savings, as the amount of net expenditures for UNIDO would not be reduced.

20. In the course of the 1996 staff reduction exercise 25 posts relating to BMS were abolished. Nineteen persons received termination benefits, amounting to AS 4,829,133.50. In accordance with the agreement reached on VIC operating costs UNIDO claimed 45.5 per cent of this amount (US$ 644,450) from IAEA. However, IAEA did not see any legal grounds that would justify such payments.

21. The amount of the subsidy by the VIC-located organizations for the Catering Services is significantly high. The amount of the subsidy is not in compliance with the principle of Catering Service as a self-sustaining, non-profit-making operation. The contract with the caterer does not provide for economic management incentives.

22. The Austrian Government intended to provide office space in the VIC for another international organization and upon request, UNIDO moved within the VIC. Costs of relocating and maintaining office space vacated by UNIDO totalling US$ 956,330 have not yet been paid by the Government of Austria.

23. In 1982 the representatives of IAEA and UNIDO agreed that the Commissary should be charged an annual amount of US$ 100,000, which approximates the actual incremental costs of utilities associated with the operation of the Commissary. In 1993 and 1996 UNIDO reviewed the calculation of the utility costs and concluded that the total of these costs amounted to almost US$ 400,000 p. a.. However, the Consultative Committee of Common Services decided that the Commissary's charges would be maintained at US$ 100,000 which results in financial disadvantages for UNIDO.

24. The Common Printing Services Agreement concluded between UNIDO and IAEA in particular cases

results in financial disadvantages for UNIDO. I recommend to review and renegotiate the Agreement.

25. The decline of the ratio "project expenditure for technical cooperation activities compared to regular budget expenditure" has been stopped.

26. In the view of the General Conference one of the important dimensions in the reform process was the strengthening of UNIDO's field representation and delegation of authority to the field. However, not much progress has been made in this direction.

27. In 1996 UNDP and UNIDO signed new cooperation agreements. According to similar agreements other UN agencies have introduced their representatives to their host governments. As UNIDO's UCDs have not received the Agrément of the Government, they are no more in the position to represent UNIDO. UCDs were not even given the authority to settle matters of minor financial implications. There were relevant communication deficiencies between Headquarters and the field.

28. Efforts to improve UNIDO's quality management and to implement a method of self-assessment of organizational performance were not sufficiently supported by Managing Directors.

29. Several unaccomplished improvements regarding the Regular Payroll System to avoid manual calculations and payments and to reduce monthly worktime of staff were still pending. It is planned to further reduce MIS staff and the number of consultants mostly dealing with maintenance of existing mainframe applications especially the "year 2000 problem".

30. Though the three UN organizations in Vienna follow the same rules they use different payroll systems.

31. UNIDO's Geneva Liaison Office gets little information on the status of ongoing joint activities as well as on programmes from HQ. As an important portion of communication between the UN system and UNIDO and vice versa circumvents the Office, its objective of providing and maintaining an effective channel of communication with UN, the specialized agencies etc. is somewhat restricted.

32. Some of UNIDO's committees had no significant relation to substantive matters and if so, there was an unclear understanding of the purpose. Often it was difficult to collect information on whether a committee was to be categorized as active or passive, its purpose, its composition (actual membership) and the officer in charge.

33. The output ratio, technical cooperation expenditure per US$ spent for staff costs of substantive divisions, has increased.

34. Financial constraints led UNIDO to initiate another staff reduction programme in November 1995. During the biennium 1996-1997 the number of posts approved was reduced by 23 per cent. While the vacancy rate was at 13.5 per cent in December 1995 it had been brought down to 9.7 per cent as at the end of the biennium.

35. At the end of 1996, the representation of women had decreased as compared to 1993. The overall representation at the Professional level went down to 22.7 per cent and the proportion of women at the senior Professional level to 11.2 per cent.

III. BUDGETARY, ACCOUNTING AND FINANCIAL REPORTING PROCEDURES

A. Regular budget assessed contributions income

36. The assessed contributions from Member States in respect of the 1996-1997 regular budget of the Organization amounted to US$ 202,195,200. Of this amount, a total of US$ 155,104,255 or 76 per cent, was received by 31 December 1997 leaving an outstanding balance of US$ 47,090,945.

37. Thus, the cumulative unpaid contributions of US$ 99,974,511 as at 31 December 1997 included US$ 52,728,647 or 53 per cent due in respect of the 1994-1995 and prior fiscal periods.

38. I noted that 69 Member States, including new Member States, accounting for 83 per cent of the assessment for 1996-1997, had fully paid their assessed contributions to the UNIDO regular budget as at 31 December 1997. On the other hand, 71 Member States, accounting for 8.8 per cent of the 1996-1997 assessment, had not contributed to the financing of the 1996-1997 regular budget of the Organization throughout this period. The arrears in respect of prior biennium's assessments as at 31 December 1997 were due from 67 Member States, our of whom accounted for 48.7 per cent (US$ 8,265,613) of the total amount due. The debt of one Member State which left the Organization during the biennium is not included in these figures.

39. A summary of relevant data regarding the status of unpaid assessed contributions from Member States to the UNIDO regular budget throughout the 1986-1997 period is provided in tables 1 and 2.

Table 1

UNIDO—REGULAR BUDGET

Status of contributions unpaid (including new Member States), 1986-1997
(In United States dollars)

	For the biennium						
Status as at	*1986-1987*	*1988-1989*	*1990-1991*	*1992-1993*	*1994-1995*	*1996-1997*	*Total*
(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*
31 Dec. 1986	16,496,226	-	-	-	-		16,496,226
31 Dec. 1987	26,140,533	-	-	-	-		26,140,533
31 Dec. 1988	2,953,466	23,763,254	-	-	-		26,716,720
31 Dec. 1989	904,350	31,203,654	-	-	-		32,108,004
31 Dec. 1990	515,366	4,730,210	28,942,294	-	-		34,187,870
31 Dec. 1991	180,666	1,704,131	28,698,921	-	-		30,583,718
31 Dec. 1992	148,882	630,135	10,825,224	28,842,871			40,447,112
31 Dec. 1993	142,944	475,694	2,490,909	36,814,839			39,924,386
31 Dec. 1994	131,322	443,693	2,313,739	14,562,902	29,656,253		47,107,909
31 Dec. 1995	119,742	255,741	1,404,201	5,186,192	74,635,463		81,601,339
31 Dec. 1996	101,288	226,579	1,373,650	3,721,860	56,401,791	47,519,484	109,344,652
31 Dec. 1997	92,642	187,503	1,317,012	2,526,936	48,604,554	47,245,864	99,974,511

Source: Financial statements of the biennium 1996-1997, statement II, schedule 2.1.

Table 2

UNIDO—REGULAR BUDGET

Status of assessed contributions unpaid, 1986-1997
(In per cent of total assessments for year or biennium)

	For the biennium					
Status as at	*1986-1987*	*1988-1989*	*1990-1991*	*1992-1993*	*1994-1995*	*1996-1997*
(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*
31 Dec. 1986	29.2	-	-	-	-	-
31 Dec. 1987	22.6	-	-	-	-	-
31 Dec. 1988	2.6	30.8	-	-	-	-
31 Dec. 1989	0.8	21.0	-	-	-	-
31 Dec. 1990	0.4	3.2	32.8	-	-	-
31 Dec. 1991	0.2	1.1	16.7	-	-	-
31 Dec. 1992	0.1	0.4	6.3	28.0	-	-
31 Dec. 1993	0.1	0.3	1.4	18.4	-	-
31 Dec. 1994	0.1	0.3	1.3	7.3	25.2	-
31 Dec. 1995	0.1	0.2	0.8	2.6	31.7	-
31 Dec. 1996	0.1	0.2	0.8	1.9	23.9	47.0
31 Dec. 1997	0.1	0.1	0.8	1.3	20.6	23.4

Source: Financial statements of the biennium 1996-1997, statement I and schedule 2.1.

B. Regular budget implementation

40. Out of the total (gross) appropriations of US$ 237,049,600 (valued at the average exchange rate for the biennium 1996-1997 of US$ 1 = AS 11.28) for the regular budget of the Organization in respect of the biennium 1996-1997, a sum of US$ 191,194,000 was expended as at 31 December 1997 leaving an unspent (gross) balance of US$ 45,855,600.

41. The excess of the balance of appropriations over expenditure plus excess of total income over approved estimates in the amount of US$ 39,373,500 at the end of the second year of the biennium 1996-1997 (statement IV) thus represented 16.6 per cent of the appropriations. The corresponding unutilized balance for the prior fiscal periods amounts to:

US$ 361,147	or 0.3 per cent of the appropriations for 1986-1987,
US$ 731,292	or 0.5 per cent for 1988-1989,
US$ 2,055,708	or 1.2 per cent for 1990-1991,
US$ 11,083,522	or 5.5 per cent for 1992-1993,
US$ 27,053,112	or 10.1 per cent for 1994-1995, and
US$ 39,373,500	or 16.6 per cent for 1996-1997.

42. When comparing the above-mentioned figures for the current biennium with prior fiscal periods one has to take into account the level of unpaid assessed contributions, in particular of one Member State, originally accounting for 25 per cent of the assessment. In order to meet these financial constraints the Organization reduced budget execution of various programmes. Because of these necessary reductions, total expenditure could not meet the approved appropriations.

43. Similarly, the provisional excess of regular budget income over expenditure at the end of the second year of the biennium 1996-1997 amounted to US$ 37,806,500. Table 3 shows that this figure is extraordinarily high. The reason is that assessed contributions unpaid are considered as income in accordance with accounting standards.

C. Regular budget unliquidated obligations

44. According to financial regulation 4.2 of UNIDO, regular budget appropriations shall be available for twelve months following the end of the fiscal period to which they relate, to the extent that they are required to discharge obligations in respect of goods supplied and services rendered during that fiscal period and to liquidate any other outstanding legal obligation of that fiscal period. In those cases where the legal obligation cannot be liquidated within the time period mentioned above, each obligation has to be examined and cancelled or reobligated against current appropriations (financial rule 104.2). A cancelled obligation results in savings on liquidation of obligations in the following biennium and increases the provisional excess of income over expenditure. Finally, this results in a surplus, which to the extent it has been paid in shall be surrendered to Member States.

45. The unliquidated obligations as of 31 December 1997 carried forward to the biennium 1998-1999 totalled US$ 11,685,000. Compared with the unliquidated obligations carried forward to the biennium 1996-1997, they have fallen from 9.9 per cent of the biennial expenditures to 7.1 per cent (see table 4).

46. Compared with the biennium 1994-1995, the savings on liquidations of obligations rose from US$ 3,675,236 to US$ 3,879,311. This means that 19.13 per cent of the unliquidated obligations at 31 December 1995 (US$ 20,278,456) were not disbursed. Although the savings on liquidations have dropped from 25.51 per cent in the prior biennium to 19.13 per cent in the current biennium, I still consider this a high percentage. This illustrates the tendency to overobligate.

D. Unliquidated obligations—UNDP Operating Fund

47. The amount of unliquidated obligations in the UNDP Operating Fund is the lowest since 1989 (see table 5). However, a comparison with the regular budget reveals that the percentage of unliquidated obligations of the total expenditures is still significantly high.

48. During the audit of the interim accounts for the first year of the fiscal period 1996-1997 my staff found some unliquidated obligations that dated back to 1991. The final audit again revealed unliquidated obligations dating back five years and more.

49. The General Guidelines for the Preparation of UNDP Financial Reports lay down that obligations should normally be liquidated by the year following the one in which they were established. Only those obligations can be retained for which a firm liability to pay the amount obligated exists. According to UNDP instructions "1997 Year-End Closure of Accounts" all 1995 and prior obligations had to be settled or liquidated by 31 December 1997.

Table 3

UNIDO—REGULAR BUDGET

Unutilized balances of appropriations and biennial excesses of income over expenditure, 1986-1997
(In United States dollars)

Status of	*Biennium*					
	1986-1987	*1988-1989*	*1990-1991*	*1992-1993*	*1994-1995*	*1996-1997*
(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*
Unutilized balance of appropriations (gross) at the end of the second year of the biennium	685,306	2,817,785	5,793,472	18,114,311	23,924,300	45,855,600
Unutilized balance of appropriations (net) at the end of the second year of the biennium	361,147	731,292	2,055,708	11,083,522	27,053,112	39,373,500
(Provisional) excess of income over expenditure at the end of the second year of the biennium	361,147	1,521,997	5,340,096	8,674,693	31,405,845	37,806,500
Final excess of income over expenditure for the biennium	4,377,386	6,496,192	8,746,822	14,732,924	32,300.000	-

Source: Financial statements of the biennium 1996-1997, statement IV, statement III.

Table 4

UNIDO—REGULAR BUDGET

Status of unliquidated obligations and savings on the liquidation of obligations, 1986-1997

Status of unliquidated obligations as at 31 December of the second year of the biennium	*Biennium*					
	1986-1987	*1988-1989*	*1990-1991*	*1992-1993*	*1994-1995*	*1996-1997*
(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*
In United States dollars	10,169,712	16,997,057	9,843,155	14,409,403	20,278,456	11,685,000
In per cent of total regular budget expenditure	7.6	9.8	5.8	7.5	9.9	7.11
Total of savings realized on the liquidation of obligations (in United States dollars)	3,687,220	1,876,917	2,242,258	3,675,236	3,879.3	-

Source: Financial statements of the biennium 1996-1997, schedule 4.1, statement III.

Table 5

UNIDO-UNDP OPERATING FUND

Status of expenditures 1989-1997
(In United States dollars)

Year	*Unliquidated obligations*	*Expenditure*	*Percentage*
(a)	*(b)*	*(c)*	*(d)*
1989	33,193,764	90,188,554	36.8
1990	39,829,606	108,631,267	36.7
1991	30,813,579	86,876,391	35.5
1992	19,947,314	67,328,372	29.6
1993	12,884,793	63,508,336	20.2
1994	13,355,088	38,984,761	34.3
1995	9,091,112	30,995,868	29.3
1996	6,696,806	23,794,695	28.1
1997	5,349,494	18,467,034	29.0

Source: Financial statements of the biennium 1996-1997, Report No. 1—UNDP, Status of Operating Fund.

50. As mentioned in my previous report, Management had announced that the responsible officers were again alerted to the importance of cancelling invalid obligations. As a matter of fact, in this respect the situation is almost unchanged. UNIDO did not follow the UNDP instructions with regard to the treatment of the unliquidated obligations.

51. The responsible officers should exercise a stricter control so that only valid obligations be certified and obligations without validity be cancelled in time. Management should ensure that this practise takes effect and that UNDP Guidelines will be adhered to.

52. Management replied that it held information meetings with staff involved in connection with the obligation review emphasizing that attention should be paid to the validity of unliquidated obligations.

E. Bank reconciliations

53. At the end of the biennium my staff carried out a sample review of the reconciliation of the balances of UNIDO' s bank accounts as at 31 December 1997 with those of the relevant bank statements. Twenty-four banks were asked for a confirmation of bank balances and investments; 17 banks (71 per cent) returned the filled out confirmation, out of which 14 (60 per cent) were examined by my staff. In all cases the year-end reconciliation had been performed.

F. Recording contributions-in-kind

54. Following my recommendations the amount of contributions-in-kind is now disclosed in the notes to financial statements 2 (s), 3 (d) and 4 (m). The total amount is of considerable importance to UNIDO.

55. There is no UNIDO specific financial rule or regulation covering the issue of support costs on contributions-in-kind. However, DGB(E).74 issued on 25 September 1997 making reference to Article 16 of the Constitution of UNIDO provides guidelines on the acceptance of voluntary contributions to the Organization including the acceptance of non-reimbursable loans of personnel services. According to these guidelines the established principles of the UN system as outlined in ST/AI/231/Rev.1 of 23 January 1991 have to be adhered to. This instruction stipulates the payment of 14 per cent of the value of the services as support costs (normal rate of 13 per cent plus 1 per cent according to Appendix D of the Staff Rules).

56. In January 1998 the Director-General agreed:

- To apply a "0 per cent" rate of support costs in two specific cases of non-reimbursable loans of personnel services.

- That "in general, in such cases where we can obtain additional resources at our initiative for UNIDO projects in the interest of developing countries we may, if this is required in order to obtain the contribution, accept such resources without any support cost reimbursement."

57. Financial rule 106.21 empowers the Director-General to set rates differing from the normal rates of reimbursement on condition that the Director, Financial Services gives such an advice. My staff found no evidence that the aforementioned decision is supported by corresponding advice of the Director, Financial Services to the Director-General. Henceforth, the instruction to apply a "0 per cent" is not in line with financial rule 106.21.

58. As far as a general waiver is concerned I have several reservations to make:

- Such practice would be a departure from long-standing principles applied by the UN bodies. The recently issued UNIDO/DGB(E).74 which provides guidance on the acceptance of voluntary contributions including in-kind-contributions given by the private sector does not indicate any deviation from those principles (paras. 3, 9-10).

- A general waiver of support cost may enhance the competition between UN bodies. This competition would not be limited to the provision of such contributions-in-kind, but would encompass the funding of programmes and projects in general. There has always been a more or less articulated reluctance to pay 13 per cent support costs on any voluntary contributions. Since IDB has recommended that UNIDO invite private sector companies to sponsor projects (IDB.18/9—25 July 1997—para. 20), in the long run a deterioration of funding and managing of trust funds and special-purpose funds within IDF cannot be excluded, if the policy of "0 per cent" rates of support costs would be applied in general (even temporarily restricted to the contributions-in-kind). UNIDO would get a temporary advantage only as the Organization has no financial basis to compensate costs of managing extrabudgetary contributions with other cash resources.

- It might be argued that the loss of support costs relating to in-kind-contributions would be set off by the support costs levied on the total budget of a project. This argument is not valid. Several studies indicate that the calculated 13 per cent support cost actually does not cover the costs of the implementing organization.

- As the Organization has to cover servicing and administrative costs in the cases of acceptance of personnel services on a non-reimbursable loan basis, its activities are not limited to issuing a contract only.

59. Keeping those various aspects in mind, the application of a "0 per cent" rate of support costs in cases

where a donor offers personnel services on a non-reimbursable loan basis seems more than debatable. Alternatively, the application of a lower rate than the one of 13 per cent for voluntary contributions-in-kind should be thoroughly reviewed in contact with other UN bodies.

60. Management does not agree with the conclusion that the action taken in these two cases will lead to a 0 per cent rate of support costs in general. Additionally it points out that the provision of cost-free experts does not always result in administrative costs. It is the understanding of Management that other organizations in the UN system, using cost-free experts similar to the two cases in question, do not charge support costs. The wording as quoted above obviously is not restricted to the two specific cases mentioned. In the reply to the audit observation UNIDO stated that "'gratis personnel', furthermore, can not be considered as 'no cost' proposition for the Organization as the financial implications include such costs as secretarial and administration backstopping, equipment supplies, office space, utilities, communications, legal and medical services, as well as costs for official travel, daily subsistence allowance and participation in training and language programmes." Concerning the practice in other UN organizations, the Secretariat has not provided evidence that other organizations do not charge support costs. Contrary to that, the UN in the report of the 49th meeting of The Fifth Committee dated 11 March 1997 (GA/AB/3135) stated that it charges 13 per cent for the support costs. A departure from this general line would indeed have far-reaching consequences as outlined above.

IV. CASH MANAGEMENT

A. Cash in banks

61. At the end of the 1996-1997 biennium General Fund and Working Capital Fund cash and term deposits amounted to about US$ 13.5 million. Considering the severe financial constraints towards the end of 1997 this amount is relatively high. As UNIDO was already postponing the settlement of expenditure, the receipt of significant delayed contributions at the end of the biennium contributed to the positive cash level as at 31 December 1997.

62. This cash balance should therefore not lead to the impression that the financial situation of UNIDO was satisfactory. The fact that a lot of necessary expenditures have been postponed and the high amount of short-term liabilities (unliquidated obligations and accounts payable) which exceed the cash balance should be kept in mind. Additionally, another staff reduction exercise had to be financed during the first weeks of 1998.

B. Liquidity position

63. To have a closer look at liquid funds my staff analysed General Fund and Working Capital Fund as to whether the funds reported in the Statement of Assets and Liabilities are available on short-term.

64. To assess UNIDO's General Fund liquidity position as at 31 December 1997 I considered all assets and liabilities in order to classify them as long-term or short-term items. The maturity of short-term items should not exceed six months.

65. Based on past experience and specifically according to the result of my 1995 review I considered a portion of 70 per cent of outstanding contributions as at 31 December 1997 as long-term assets, as this amount remained unpaid at the end of the first six months of the following year. Therefore, 30 per cent of these contributions are considered short-term only. My forecast is supported by the Treasurer's opinion, who expects an amount of about US$ 11 million of prior years assessed contribution to be collected in 1998. Accordingly, the respective portion of the provision for delays in the collection of contributions has to be considered as short-term.

66. To calculate the percentage I excluded the amount of about US$ 60.9 million due from the United States (about US$ 40 million in the calculation for the 31 December 1995), because I do not expect the US government to pay this debt in the near future.

67. The balance of the separation indemnity reserve remaining from the former staff separation exercise as well as the unliquidated obligations are in my view short-term as they will mainly be utilized in the first six months of 1998.

68. My calculation shows, that total liquid cash at the end of the 1996-1997 biennium amounted to a negative figure of about US$ 11.8 million (see table 6). This lack of liquid funds will be covered by the expected short-term contributions. UNIDO is therefore again entirely dependent on the timely payment of contributions by the Member States. As the Working Capital Fund was depleted, there were no financial resources available to overcome a delayed payment of contributions in 1998.

(i) Provision for delays in the collection of contributions

69. UNIDO, following a decision of CCAQ (FB), set off the whole amount of outstanding contributions at 31 December 1997 as a "provision for delays in the collection of contributions".

70. The introduction of a provision for delays in the collection of the contributions as such is in line with recommendations of the Panel of External Auditors. However, at its 38th session, the Panel did not agree with the standard approved by the CCAQ(FB) that "Such provision shall be 100 per cent of the unpaid contributions at the date of the financial statements at the end of the financial period". The Panel recommended that all

Table 6

UNIDO—REGULAR BUDGET

Liquidity position
(In United States dollars)

Assets and liabilities	*End of biennium*		
	31 December 1995	*31 December 1997*	*Difference*
(a)	*(b)*	*(c)*	*(d)*
Assets			
Long-term			
Advances	1,921,684	1,093,105	(828,579)
Income tax recoverable	1,198,055	903,603	(294,452)
Contributions receivable	69,147,243	27,307,485	(41,839,758)
Subtotal A	72,266,982	29,304,193	(42,962,789)
Short-term			
Cash	11,306,705	13,509,100	2,202,395
Accounts receivable	9,542,794	7,420,592	(2,122,202)
Contributions receivable	12,454,096	11,703,208	(750,888)
Deferred charges	1,281,371	0	(1,281,371)
Subtotal B	34,584,966	32,632,900	(1,952,066)
Total assets (A+B)	106,851,948	61,937,093	(44,914,855)
Liabilities			
Long-term			
Surpluses to member states	52,809,795	(24,608,600)	(77,418,395)
Provision for national income tax	950,490	0	(950,490)
Reserves	307,340	0	(307,340)
Loan from UN	10,000,000	8,000,000	(2,000,000)
Advance from Working Capital Fund	6,323,400	6,762,600	439,200
Provision for delays in the collection of contributions		27,307,485	27,307,485
Subtotal A	70,391,025	17,461,485	(52,929,540)
Short-term			
Accounts payable	4,967,028	3,821,600	(1,145,428)
Unliquidated obligations	20,278,456	11,685,000	(8,593,456)
Due to other funds	2,459,871	1,045,100	(1,414,771)
Separation indemnity reserve	8,755,568	15,590,600	6,835,032
Contributions received in advance		630,100	630,100
Provision for delays in the collection of contributions		11,703,208	11,703,208
Subtotal B	36,460,923	44,475,605	8,014,685
Total liabilities (A+B)	106,851,948	61,937,093	(44,914,855)
Excess of current assets over current liabilities	(1,875,957)	(11,842,708)	(9,966,751)
Decrease in short-term assets			(1,952,066)
Less increase in short-term liabilities			8,014,685
			(9,966,751)

organizations should make a reasonable provision for delay in the collection of contributions. As a guideline the level of the provision might be set to reflect assessed contributions not received two full years after the end of the financial period to which the contributions relate.

71. I support this recommendation because I feel it inconsistent to make a provision for all unpaid contributions at the end of a financial period when experience shows, that one-third of the outstanding amounts will be paid in the short-term.

(ii) Financial implications of the 1998 staff reduction

72. In December 1997, the General Conference urged Member States to provide additional cash required tofinance the staff separation programme by voluntary contributions and advances from Member States. However, the response to this decision has not been very enthusiastic. Only three Member States paid at all—US$ 249,307 either by loan to be repaid or by advance against the 1999 contribution and US$ 19,002 by making a voluntary contribution. Therefore, cash amounting to about US$ 11 million resulting from prior years unpaid contributions expected to be collected in 1998 will fully be needed to cover the voluntary part of the staff separation programme.

73. As a result, regular contributions in a considerable amount will have to be used for the staff reduction and will—therefore—not be available for the urgently needed programme support with possibly negative effects on programme delivery.

(iii) Development in 1998

74. The cash problems as foreseeable at 31 December 1997 materialized in the first months of 1998.

(iv) Working Capital Fund

75. Although the conditions to start into the new biennium were not satisfying because significant financial resources were not available, the Director-General decided to fully replenish the Working Capital Fund to the required level. This was done in February 1998 by a transfer of US$ 6.61 million to the Working Capital Fund.

76. This decision was in line with the recommendations in my past reports. However, this step will have a sustainable effect only, if it is supported by additional financial resources. Without further voluntary contributions and advances or significant improvements in the payment of assessed contributions, I do not expect the US$ 6.61 million in the Working Capital Fund to survive the staff reduction exercise and the full implementation of 1998 programmes.

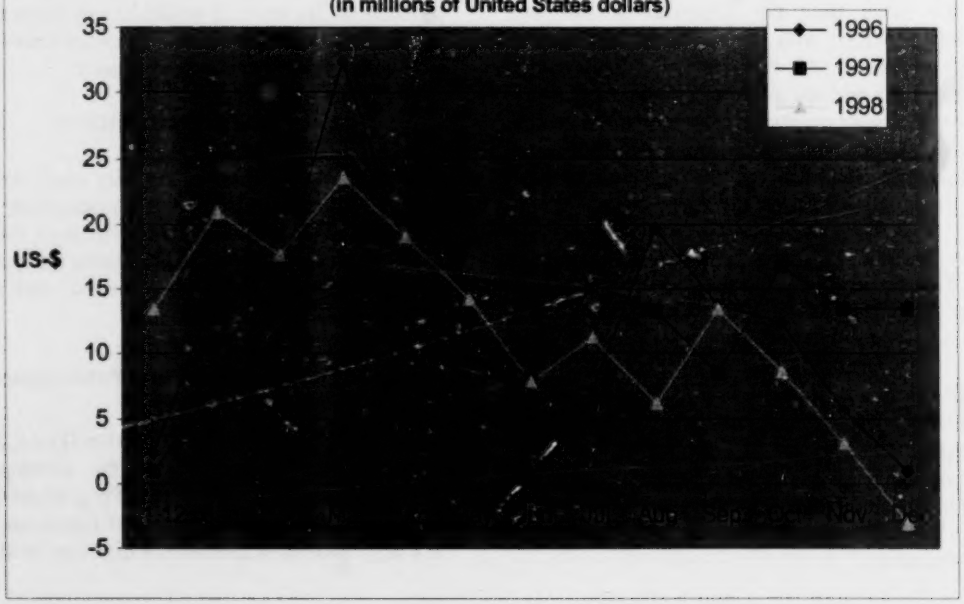
(v) Cash flow forecast

77. The Treasurer calculates the cash flow forecast for the remaining year on a monthly basis. In a further attachment I present a chart containing the current cash balances month by month for the last two years and the forecast for 1998 (table 7).

Table 7

GENERAL FUND AND WORKING CAPITAL FUND
Cash flow, 1996-1998

(In millions of United States dollars)



78. The figures for 1998 assume full implementation of the regular budget and end with a negative cash balance of about US$ 3.1 million. Including an anticipated amount for unliquidated obligations of US$ 6.7 million, this year will end with a deficit totalling US$ 9.8 million.

(vi) Action taken by Management

79. To meet the lack of cash resources the Director-General decided to cut most of the allotments and reduce the budget implementation level. The only major expenditures exempted were the staff costs. The Director-General authorized the expenditures for most programmes at 60 per cent of the approved programme and budget levels.

80. Although I basically agree with these saving measures I have to point out that such a drastic cut might affect important activities of UNIDO.

81. From the point of view that the budget was approved by the General Conference on a reasonable level a cut by 40 per cent must have effects on delivery and programme management in general. As the cut also concerns expenditures for the Buildings Management Service, which is cost-shared by other UN organizations in Vienna, it is doubtful whether the reduced level of expenditure can still ensure a minimum level of service and security in the VIC.

(vii) Contribution income and expenditure

82. Generally, the accuracy of a cash flow forecast depends on a reasonable expectation of a timely inflow and outflow of cash. In this respect there are still some shortcomings. One major contributor did not pay the 1998 contribution in February as expected. This left for UNIDO an amount of US$ 2.67 million instead of US$ 11.8 million. The monthly requirements are at about US$ 7 million in the General Fund.

83. At the same time the Treasurer is still not appropriately provided with the necessary information about cash payments. As early as 1995 I identified shortcomings in the relevant information system. Treasury was not provided with necessary data or the information was incorrect. Management had announced to follow my recommendations. However, at the end of the past biennium the situation was still the same.

84. Therefore, the Treasurer is not in a position to match, as far as possible and in the most cost-effective way, the inflow of cash with the outflow. This adds to the financial uncertainties UNIDO has to face.

85. UNIDO's financial situation gives rise to serious concern. UNIDO needs regular payment of contributions to cover regular expenditures. There are no cash reserves. The steps possible to save funds have been taken. UNIDO is now not in a position to react to additional requirements and it is not even able to carry out its regular activities to the extent necessary.

86. To avoid further shortfalls Management should

- Stress the need for an immediate payment of outstanding contributions for prior years towards the Member States concerned
- Try to reliably obtain payments for the current period
- Reconsider all cuts of allotments to avoid negative impact on the Organization's performance or its reputation within the VIC and among outside contractors.

87. To be able to get more reliable cash forecasts Management should

- Start negotiations with Member States to ensure reliable and timely receipt of payments and
- Ensure that Treasury receives comprehensive information about the financial requirements involved in procurement and contracts activities.

V. CONTRACTS AND PURCHASES

A. *Post facto* requisition

88. My staff noted several cases in which orders for supplies were placed or contractual arrangements made without following the established procedures. Conflicts arose when purchases or services rendered had to be settled. In order to process necessary payments without delay available funds were sometimes charged as straight expenditure although the amount due was above the allowed ceiling of US$ 1,000 for this procedure.

89. In one case the amount involved totalled US$ 85,000. Meanwhile instructions have been issued in order to prevent infringements of the established procedures. However, I would like to stress that, in my opinion, the instrument of straight expenditures should not be misused for such post facto actions.

VI. PUBLICATIONS

90. From October 1995 on, my staff reviewed the activities of unido in the field of publications. They put audit emphasis on the Publication Strategy, the functions of the Publications Board and two particular publications, "UNIDO 1994: The Year in Review" and the Global Reports 1995 and 1996.

A. Publication strategy and Publications Board

91. Until May 1996 the Publication Board, established in 1986, was responsible for the development and implementation of the Publication Programme of UNIDO. During our earlier review, my staff found out, that—due to a large number of members, a high rate of attrition and

irregularly held meetings—the Board had neither been able to develop generally accepted standards to govern its publication policy, to draft a publications programme nor to develop a comprehensive marketing strategy or analyse and evaluate the effectiveness, efficiency and economy of sales publication (i.e. lack of a current sales catalogue, lack of stock control resulting in excessive print runs, ineffective distribution methods, unsatisfactory pricing, no credit cards accepted, no evaluation whether publications have reached the targeted audiences). Moreover, our review revealed that accurate and efficient tools for base accounting were lacking. For years there had been fruitless discussions about creating a revolving fund. Uncollected receivables from sales to external publishers had not been included in the financial statements. I therefore recommended a reform of the UNIDO publishing policy.

92. In May 1996 the Director-General issued bulletin UNIDO/DGB(O).13, which established a new organizational structure comprising the Publications Board, the Publications Committee and the Information Technology Products Committee. In this Bulletin, only the functions and the membership of the first two entities were outlined. The renewed investigation in early 1997 further revealed that neither Board nor Committee met as often as they were supposed to according to the Bulletin. E.g. the Board, which had overall responsibility for developing and implementing a proactive programme for publishing, was convened for one initial meeting only. Less than half of the membership of the Committee attended two meetings. As a consequence, no clear comprehensive publishing policy and procedures have been elaborated. Accordingly, the daily operations have been dealt with on an *ad hoc* basis. Further work in this matter has been obviated by the suspension of the Publications Board and Committee respectively since 9 January 1998.

B. Publications

93. In addition to UNIDO's Annual Report 1994 the Public Information Section edited the English version of "UNIDO 1994: The Year in Review". According to the foreword by the Director-General the main target group were those unfamiliar with UNIDO. Thus the topics selected were less technically presented and highlighted in a more reader-friendly manner. The audit revealed that large numbers of this publication were printed by an external printer on an urgent basis for an IDB meeting in Vienna and a ministerial meeting in Montevideo in the year 1995. Some 40 per cent of the English version was distributed to the delegates of the IDB who, in my view, could not be considered as persons unfamiliar with UNIDO. The specification of an embossed cover for the publication required outside printing and an interruption of the printing process due to budgetary constraints. The interruption caused an increase in printing costs by some 30 per cent per copy. In March 1997 over 1,000 copies of the French version and over 1,200 copies of the Spanish version were still on stock.

94. The Global Report constitutes the flagship publication of UNIDO. Although its preparation dominated the entire UNIDO publishing system, in the past the sales figures were low. In order to reverse the situation and to upgrade UNIDO's image in a crucial situation, the Organization concluded co-publishing arrangements for the English as well as the Spanish edition of the Global Report 1995. The French version of the report was still edited and printed "in house". UNIDO staff travelled to the UK and Mexico respectively to discuss the agreements as well as technical matters. Nevertheless, contrary to financial instructions UNIDO permitted the publisher to start printing of the Spanish version before the contract was signed. The preparation of the print ready film for the co-published editions required a huge amount of editorial effort within UNIDO. Nevertheless, the printing quality of the in-house produced French edition surpassed those of the external publishers. In March 1997 nearly 50 per cent of the copies printed were still on stock.

95. For the printing and distribution of the English and Spanish versions of the Industrial Development Global Report 1996 UNIDO renewed the contracts with the co-publishers. The Publications Committee saw advantages in establishing a long-term relationship with the publishers on the condition that the terms of the contract could be re-negotiated each year. Nevertheless the Memorandum of Agreement for the Global Report 1996 was signed without further negotiations in August 1996. Once again the preparation of the print-ready film for the edition in English proved to be complex and cumbersome. A staff member had to visit the publisher solely to eliminate technical problems. After having received the draft the English publisher informed UNIDO that the print run had been adjusted according to the increase in pages. Later he announced an increase in prices due to delays in the agreed schedule. Although no answer was given to the request for specification, UNIDO paid the increased fee.

96. As in the previous year a representative of UNIDO went to Mexico in July 1996 in order to establish personal contacts and to discuss further arrangements with the publisher of the Spanish version. The contract was finally concluded on 28 October 1996. In order to keep to the schedule of issuance, the publisher again began printing before the final conclusion of the agreement. Moreover, the Memorandum of Agreement concluded with the publisher stipulates that he shall provide documentation and pay to UNIDO all moneys collected. Notwithstanding this contractual obligation the Organization did not receive any information about the sales in 1996 prior to our audit. Based on an Audit Observation a special request was sent in April 1997. In May 1997 the publisher confirmed outstanding payments of almost US$ 7,500. This amount was not included in the financial statements for 1996.

97. According to the contracts concluded with both publishers, they are required to carry out any marketing activities necessary. UNIDO paid both publishers a fee for marketing the Global Report. Concurrently the Organization followed a strategy to launch the Report in various locations on its own. Additional promotional activities were undertaken in various ways. By doing this UNIDO diminished its possibilities to evaluate the efficiency and the effectiveness of the co-publishing arrangements (e.g. increase of sales, lower cost of production, reader's response). This is regrettable for two reasons. Firstly, irrespective whether a UNIDO activity is mandated by the policy-making organs, they have to be performed in the most economic way, including the proper evaluation of such actions. Secondly, an evaluation would have provided the chance to shed light in the UN system-wide discussion on the effectiveness of newly concluded co-publishing arrangements (see report of the Joint Inspection Unit JIU/REP/97/2).

C. Conclusions

98. The publication of "UNIDO 1994: The Year in Review" highlights the difficulties resulting from a lack of the publication strategy as well as of cooperating the printing of a publication: By avoiding the costs for urgent printing the costs for the publication could have been limited considerably. Moreover, the number still on stock at the time of the audit reveals that the planning was not very reliable. The publication of the Global Report was accompanied by a lot of technical problems and misunderstandings, which led to an increase in workload and cost. Although both co-publishers did not fulfil the contracts, UNIDO did not renegotiate the terms of the contract. An efficient supervision of contracts could have avoided many of the difficulties incurred. Furthermore, the Organization lacks a cost-accounting for the publications. A comparison of the costs for internal versus external printing is therefore impossible.

99. Management replied that the need to formulate a comprehensive publishing policy was recognised as an urgent priority. One reason for the difficulties was due to manpower shortage. Many of the shortcomings had already been remedied, e. g. the introduction of a follow-up system to ensure a regular reporting of sales. The Global Report needed to be considered a non-commercial and hence a non-profit making publication.

100. I welcome the improvements Management has already implemented. Nevertheless there are some basic issues. Firstly a clear and concise publication strategy and guidelines for the day-to-day business should be established in due course. Secondly a comprehensive marketing concept dealing with the distribution of the publications should be elaborated. Thirdly, after the restructuring of the Organization and the actual process of transformation, there is no unit or person who is responsible for the development and implementation of a publications strategy. Fourthly the Organization is not able to provide the necessary data to perform an evaluation. Neither the mandate of Article 2 (h) of the Constitution of UNIDO to disseminate knowledge and information on industrial development issues among the Member States and the industrial community at large nor the purpose of enhancing the image of the Organization justify the excessive publication costs. In my view, the full costs of publications need to be identified, made visible in official documents and be brought to the knowledge of the Member States.

VII. COMMON SERVICES

101. On 31 March 1977 the Secretary-General of UN, the Director General of IAEA and the Executive Director of UNIDO signed a Memorandum of Understanding (MoU) concerning the allocation of Common Services at Donaupark Centre in Vienna (VIC). In this MoU, *inter alia*, the responsibility for managing and operating the Commissary was assigned to IAEA, while UNIDO was responsible for the operation and management of Buildings Management Service and Catering Services.

A. Buildings Management Service

102. The expenses for operating and managing Buildings Management Service (BMS)—without the administrative support costs of UNIDO—are on one hand expenditures in the accounting system of UNIDO. As far as the other participating organisations are concerned, the refund of costs on the other hand represents income for UNIDO. UNIDO therefore has to bear only its own share of the cost of BMS.

103. In the programme and budgets, 1998-1999, UNIDO proposed that the responsibility for the provision of Buildings Management Service should be transferred by 1 January 1999 to another agency within the VIC. At first glance one might have the impression that this measure would reduce total expenditures for UNIDO. A further examination of the budget discloses however that UNIDO would not make any savings, because there would be no income from other participating organizations to refund outlays.

104. Based on the MoU with the IAEA and UNOV, each agency assumed responsibility for a part of the joint and common services at the VIC. The MoU does not provide for refunding of support costs. The basic assumption for this arrangement was that each organization carries more or less the same burden by managing its part of the common services.

105. The MoU was signed on the ground that each participating organization take responsibility for parts of common services corresponding to its size in terms of staff members and office space occupied. Table 8 shows that after 20 years the staff situation of UNIDO has completely changed. Accordingly the occupied space has been reduced. In addition, since 1997 a new international organization has been located in the VIC.

Table 8

UNIDO—REGULAR BUDGET

Cost sharing of Buildings Management Service
in the VIC

Vienna-based organization	*Number of staff*	*Percentage*	*Number of staff*	*Percentage*
UNIDO	1,404	39.26	746	21.12
IAEA	1,560	43.62	1,899	53.77
UNOV	365	10.21	792	22.42
UNRWA/CTBTO	247	6.91	95	2.69
Grand total	3,576	100.00	3,532	100.00

106. So far none of the other organizations has been willing to take over the responsibility for BMS and Catering. I recommend that UNIDO terminate the MoU in order to negotiate a complete new arrangement for joint and common services. In this context the option of centralizing all Common Services should be taken into account.

107. Management admits that there is an imbalance concerning the responsibility for managing and operating the Common Services, which could be renegotiated. It considers the option of centralising all Common Services as a realistic one; however, before terminating the MoU, this needs to be discussed with the other VIC-based organizations within the context of future innovative and practical approaches in line with the decisions of the UN General Assembly. Unless there is any other development in the future, Management is of the opinion that BMS shall continue to be with UNIDO.

108. As the current agreement about the Common Services is advantageous for the other VIC-based organizations, I do not see a realistic chance for negotiations without a termination of the MoU.

B. IAEA sharing of termination indemnity costs for Buildings Management staff

109. On 14 December 1995, the General Conference approved the financial arrangements relating to the voluntary separation of staff. Till mid-1996 UNIDO abolished 25 posts relating to the Buildings Management Service. Nineteen staff members received termination benefits, amounting to AS 4,829,133.50. In accordance with the agreement reached on VIC operating costs, UNIDO claimed by invoice of 11 April 1996 45.5 per cent of this amount from IAEA. IAEA replied that the "Agency does not see any legal grounds that would justify such payments".

110. In January 1997 the Director-General of UNIDO proposed two alternative methods for the settlement of the disagreement. He proposed either (a) to request for a third party legal opinion on the issue from a mutually acceptable international lawyer or legal counsel of another international organization or (b) to resort to arbitration, preferably by appointing a single arbitrator, who is agreeable to both parties. In November 1997 the Director-General of UNIDO again approached the Director General of IAEA. Since UNIDO got no response, Financial Services decided to establish a provision for the doubtful receivable in form of an obligation against 1996-1997 appropriations. Management will continue efforts to settle the dispute.

111. Although UNOV and IAEA have promised to help and participate in common efforts to reduce costs and IAEA has paid its share of the BMS termination costs in the previous staff reduction exercise, this time IAEA has refused to pay its share (US$ 644,450) of separation indemnities occurred by necessary staff reductions in BMS. In my opinion the case highlights the difficulties arising from contracts concluded between UN organizations, if the contract does not include any provision for the solution of potential disagreements or diverging interpretations.

C. Catering Service

112. In 1989 the participants of the MoU signed the rules of the Catering Service at the VIC establishing this service as a self-sustaining, non-profit-making operation. Under the current contract between UNIDO and the caterer the facilities and the capital equipment are provided free of charge to the latter. In addition, the caterer is not charged for the cost of maintenance, utilities and cleaning. The internal auditor of UNIDO estimated these costs for 1993 amount to US$ 1.4 million. Thus, the caterer enjoys a considerable subsidy towards his operating costs. These costs are financed from the regular budget of each

organization in the VIC. UNIDO provides the administrative support cost for the management and operation of Catering Services. The current catering contract ends on 31 December 1999.

113. Management points out that, if the operating costs were charged to the operation itself, there would have to be a significant increase in the prices of food and drinks charged to the staff which would have to be reflected in increased staff salaries. Moreover, charging additional costs to the Catering Service would require changing the MoU. The Catering Advisory Committee was requested in August 1996 to assist in specifying what type of services should be provided by the VIC-based organizations, but no results have been achieved till now. The Committee will be asked to re-examine this matter. Furthermore, UNIDO intends to achieve an economic management by preparing a new bidding exercise for the new catering contract.

114. Altogether, the amount of the subsidy by the VIC-located organizations for the Catering Services is significantly high. Therefore, the financial implications of the catering arrangement should be disclosed to UNIDO's donors. Furthermore the amount of the subsidy is not in compliance with the principle of Catering Service as a commercial and self-sustaining operation. A new contractual agreement for the Catering Services should be made before the contract expires. The invitation of tenders for Catering Services at VIC should give the new caterer more financial responsibility. It should provide incentives for efficient management by the caterer. Furthermore he should be obligated to bear the operating costs in order to terminate subsidizing by the organizations.

D. Removal within the VIC

115. The Austrian Government (GOA) intended to provide office space in the VIC for another international organization, the Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO). Upon request of GOA to provide space to CTBTO by September 1996 UNIDO moved from Building E to Building D. CTBTO arrived in April 1997.

116. As a result of various consultations between the ambassador of GOA and the Managing Director of Administration, the GOA agreed to reimburse UNIDO for the costs for the actual removal and operating costs for the vacated area during the period September 1996 through March 1997. The amount to be reimbursed totalled US$ 956,330. However, there was no written agreement.

117. According to Management's information later on GOA refused to take over the costs. However, GOA has not yet confirmed its position in writing. UNIDO will take up the matter at the appropriate level. In case GOA maintains its position UNIDO intends to ask GOA to support UNIDO in order to receive a reimbursement from CTBTO.

E. Charges of utility costs to the VIC Commissary

118. According to the MoU the operational, maintenance and common service costs of the Commissary should be shared by the participating organizations. In September 1982 the representatives of IAEA and UNIDO agreed that the Commissary should be charged an annual amount which approximates the actual incremental costs of utilities (electricity, heating, cooling, water), garbage removal, maintenance of pavement and parking lots associated with the operation of the Commissary. The estimated amount of US$ 100,000 is reimbursed to miscellaneous income of IAEA, UNOV and UNIDO according to the cost-sharing ratio.

119. Upon UNIDO's initiative this amount was reviewed in 1991 and 1993 based on available statistics. UNIDO reviewed the calculation of the utility costs of the Commissary again in 1996 and concluded that the total of these costs p. a. amounted to almost US$ 400,000. In April 1997, a VIC Working Group nominated by the Consultative Committee of Common Services examined the matter. Their report on the Commissary reads as follows: "The recommendation of the consultant to consider adopting a direct charge related to actual use of utilities and related Buildings Management expenditures, instead of the flat rate of US$ 100,000 per annum for utilities only was considered. As in the case of the catering operation, this item concerns the subsidy of an operation established for the benefit of the staff, and is not specifically related to cost-sharing methodology. Therefore, the Working Group took note that the present system of charging the Commissary US$ 100,000 per annum against the cost of utilities would be maintained." At its meeting on 14 May 1997, the Consultative Committee of Common Services adopted the Working Group's report on the Commissary.

120. The interoffice memorandum dated 3 April 1982 states clearly that it was designed to charge the Commissary with the *actual* incremental costs of utilities associated with its operation. This interpretation of the interoffice memorandum corresponded to the aim of the operation of the Commissary, i.e. providing employees of the participating organizations at the VIC at cost prices. At present, however, the utility costs of the Commissary are to a great extent supported by the Buildings Management Service. Since the Buildings Management Service is financed from contributions from the participating organizations and these contributions do not have the purpose of supporting the customers of the Commissary, the present practice of supporting the Commissary is not in line with the agreement.

121. Management replied that, in the spirit of rationalizing expenditures and clarifying the cost structure, UNIDO will continue its effort to readjust the agreement with the IAEA so as to charge the Commissary with the actual costs.

F. Common Printing Services

122. In 1995 my staff audited the Common Printing Services Agreement concluded between UNIDO and IAEA. This contract grants a monopoly to the Common Printing Services (CPS) which results in particular cases in financial disadvantages for UNIDO. The agreement stipulates that UNIDO cannot contract with an external printer except if the IAEA is not able to take care of the job for technical or time reasons. Some printing jobs audited show that outside printers could do the same job as the CPS at lower rates, although the external printer had proved to provide higher quality of printing. Moreover the CPS are not in the position to print on recycled paper, to produce folders or to respond to specific wishes for covers of the publications. As the actual printing requirements are quite different from those when the agreement was concluded twenty years ago, I recommend to review and to renegotiate the Common Printing Services Agreement with the IAEA.

123. Management does not concur with the statement that the Printing Services Agreement constitutes a monopoly. Print jobs with low-roll figures proved to be cheaper if done by CPS. However, Management promised to re-examine the changing printing requirements of the Organization, in particular the sophisticated requirements of the Public Information and the Global Report, within the overall printing job requirements. It agreed that a review of the agreement would be recommended.

124. In my understanding UNIDO is obliged to refer any printing job to CPS first. As the review of the Printing Services Agreement is outstanding, UNIDO is still bound to give its printing jobs to CPS ever. if an outside printer could provide better quality more cost-effectively.

VIII. TECHNICAL COOPERATION ACTIVITIES

A. Project expenditure and regular budget expenditure

125. Table 9 provides a breakdown of the annual project expenditure for technical cooperation activities executed by UNIDO, by source of financing compared to total expenditures from the General Fund (including programme support costs less regular programme) as reported in the financial statements for the period 1986-1997.

126. The decline of the ratio, which started in 1991, has been stopped. On the one hand the increase is the result of further reduction of general fund expenditures and on the other hand of an increase in technical cooperation activities.

B. UNIDO's field representation

127. The General Conference at its sixth session in 1995 stressed the necessity of delegating authority to the field. At its sixteenth session in 1996 the Industrial Development Board gave special emphasis to the delegation of authority to the field coupled with decentralization of programming and financial authority to UCDs. In April 1997 again the Secretariat proposed "a radical reorientation with regard to the role to be played in the future network of UNIDO field offices" and underlined the need for significant decentralization to the field with "enhanced programme development and funds mobilization functions" as well as strong delegation of authority to UCD offices (IDB/S.7/2). Again, in the introduction to the programme and budgets, 1998-1999, the issue was reiterated (GC.7/21).

Table 9

TECHNICAL COOPERATION ACTIVITIES EXECUTED BY UNIDO

Status of expenditure, 1986-1997

	Project expenditure (In millions of United States dollars)											
Source of Fund	*1986*	*1987*	[illegible]	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
Technical cooperation activities	97.3	95.6	115.5	127.1	154.3	140.8	126.2	121.1	97.5	107.2	89.3	95.8
General fund plus programme support	71.8	73.2	74.0	97.9	97.5	108.0	105.8	115.2	96.4	126.4	92.9	86.7
Ratio TC/GF	1.36	1.31	1.56	1.30	1.58	1.30	1.19	1.05	1.01	0.85	0.96	1.10

128. However not much progress has been made in this direction: On 26 October 1996 UNDP and UNIDO signed an "Annex on Co-ordination Arrangements between UNDP and UNIDO at the Country Level" which supersedes the previous Memorandum of Understanding (MoU) of 1989. This Annex includes a revised definition of the UCD's responsibility: "UCDs will have the function of UNIDO representatives, and will represent UNIDO to governments and other entities". According to similar agreements, other United Nations agencies have introduced their representatives to their host governments. For the time being, UNIDO has not made the above-mentioned request.

129. To my understanding, as the new MoU supersedes the old one, UNDP's Resident Representative (RR) does no longer represent UNIDO in the country of a UCD office. As UNIDO's UCDs have not received the agrément of the Government, they are not more in a position to represent UNIDO. In consequence, in contrast to the aim of delegating authority to the field, UNIDO's position has been weakened.

130. UCDs were not even given the authority to settle matters of minor financial implications.

131. A major concern of donor agencies regarding cooperation with UNIDO is the length of time required for replies. The time-consuming reaching of a decision has often made a project irrelevant by the time it was approved. Budget execution and travel authority are subject to approval from HQ. The status of UCDs and the fact that most decisions have to be referred to HQ contributes to UNIDO's image of a slow and overall bureaucratic Organization. The lack of delegating authority to UCDs to exercise the management function for the operation of the field office contributes to lengthen UNIDO's processing times.

132. Although the necessity for increasingly delegating authority to the field has repeatedly been emphasized, the delegation efforts have not been actively pursued.

133. Management replied that significant progress during the first months of 1998 was made. The issue of cooperation arrangements with UNDP was being pursued. Actions were being taken to accelerate the decentralization of authority. Specifically UCDs would be responsible for certain project formulation and selected implementation, and would have more authority in administrative matters.

C. Administration and management of UCD offices

(i) Communication, Headquarters—UCD offices

134. To ensure coordination and harmonization between activities of UNIDO field staff with those of HQ in Vienna, to provide services of staff at HQ to field staff in the UCD offices and to ensure an adequate channel of communication for UNIDO HQ with host Governments, frequent communications and consultations between HQ and the UCD offices should take place.

135. In order to improve the technical means of communication UNIDO implemented Internet connectivity for HQ and the UCD offices.

136. However, during their field audit my staff learned that despite the improvement of the technical facilities communication deficiencies were continuing:

- No response of HQ to annual reports elaborated by the UCD;
- No response of HQ to several proposals concerning country strategy and project-related matters;
- No chance of discussing common problems of UNIDO Country Directors at the annual meeting of UCDs;
- No information made available by HQ's Field Representation Support Unit about the revised and signed "Annex on Co-ordination Arrangements between UNDP and UNIDO at the Country Level" and its consequences;
- Late information on organizational or personnel changes within HQ;
- Preparation of project proposals without contacting the UCD in advance.
- Preparation of success stories without consulting the respective UCD.

137. I am of the opinion that a prerequisite for decentralization is extensive communication between HQ and the UCD offices. As a counterpart of government, the UCD should be well informed on all relevant issues, not only project-related items but also on general topics concerning UNIDO's country representation and cooperation with UNDP. Rather than a technical problem this is mainly a question of HQ's understanding of the UCD's role.

138. I recommend to improve communication between HQ and the UCD offices in order to succeed with the decentralization and to improve the effectiveness of UNIDO's field representation.

139. Management agreed with the observation and assured that a number of measures had been taken to address the problem. In early 1998 new software had been sent to a number of UCD offices, which enabled them to have direct access to INTRANET and HQ e-mail.

(ii) UCD work plan and staff performance evaluation system (SPES)

140. In mid-July 1996 all UCDs received an interoffice memorandum (IOM) signed by the Director-General asking them to prepare a work plan for the year 1996 and performance objectives in draft on the attached new form within two weeks from receipt. The work plan of the UCD was to be discussed at the field level and with HQ's staff of other divisions. Although the UCDs had not received this IOM until mid-July the work plan was to be agreed in final form by mid-July at the latest.

141. I am of the opinion that it is not proper management practice to prepare work plans and performance objectives for the current year in the middle of the year concerned. As the UCD's work plan represents UNIDO's field activities the work plan should be prepared in close cooperation with HQ's divisions concerned and this can hardly be done within two weeks. Workplans should be extensively discussed between HQ and the UCD and as a result should represent a coordinated opinion of both.

142. Management accepted the criticism and ensured that work plans for 1998 were properly prepared and monitored. The Director-General had instituted a monthly reporting system. The drastic and many changes in the field representation programme in the last few years had often made such preparation almost impossible. However, efforts would be made to improve the situation in conjunction with the introduction of performance indicators and targets in UNIDO.

D. Improvement of quality management

143. In spring 1996 UNIDO started an in-house project sponsored by funds of a Member State in order to overcome the constraints of its Quality Assurance Unit that provided technical cooperation services for quality management of development cooperation and for the promotion of related concepts and methods.

144. The project document mentions five ouputs comprising a report, a manual, training material and training of UNIDO staff. The smooth implementation of the project encountered some difficulties since parallel to the project the Director-General agreed to integrate the adaptation of the European Model for Business Excellence for the self-assessment of organizational performance. The purpose was to implement a continuous improvement process within a coherent framework based on the achievements of the accelerated reform process. One criteria for using the above mentioned Model was that the criteria utilized are widely accepted at the international level and are used by the European Quality Award granted every year by the European Foundation for Quality Management.

145. However, soon after the Director-General's decision the Managing Directors' reluctance to cooperate could be observed. E.g. staff was not allowed to participate, teams for dealing with several criteria were not set up as planned. Therefore, to meet the criteria of the Model, interviews were done by involved staff as well as by a consultant in mid 1997. Besides, management did not nominate staff to become assessors of the Position Report. At that point of time a specific consultant was contracted to assist in the exercise.

146. Further progress was delayed until early 1998 when the new Director-General agreed to the planning and completion of the self assessment exercise and established a cross-organizational team on programme quality.

147. Seven team leaders. including the Head of the Internal Audit Unit (covering two criteria), more than 50 staff members and three costly consultants were directly participating in this exercise during 1997. In addition, some more staff were indirectly involved through workshops and questionnaires. "Self Assessment Guidelines for UNIDO" had been prepared for further use by the relevant teams.

148. In principle, I welcome the target adopted. The certification of quality services, either by the European Foundation for Quality Management or on the basis of ISO 9000, will be likely to enhance the image of UNIDO. However, in respect of the resources required to complete the exercise, the lack of commitment of top management which resulted in a stop of activity, lack of clarity and demotivation of the relevant staff has to be deplored. The implementation of such a basic decision needs visible leadership especially if signals for proceeding with work are urgently required.

IX. INFORMATION TECHNOLOGY

A. Backlog of EDP application maintenance

149. The system for entitlement review and payment of salaries and allowances for UNIDO and technical co-operation staff was developed by MIS more than 20 years ago. Changes in personnel status are processed by staff members of Financial Services (regular payroll, experts payroll) and sent to MIS for data entry into the computerized payroll system.

150. Control is exercised by the staff of the Payroll Group over the correct capture of the above personnel data to ensure that all data entry and other errors are detected and corrected prior to the payroll processing. Furthermore, staff members undertake subsequent controls by reviewing several lists. This procedure requires a lot of staff time but is necessary within the payroll system to ensure correct payment of the salaries. Some of the entitlements have to be calculated manually which creates additional workload for staff in the Payroll Group.

151. During the first audit my staff found out that there were several outstanding system improvements regarding

the regular payroll system. Now, three years later, some of the adjustments have been made. However, there are still pending requests from payroll for further amendments to the computerized system to avoid manual calculations and payments and to reduce monthly worktime of staff in the Regular Payroll group.

152. The only way of avoiding time-consuming manual reviews and payments is to develop a new computerized payroll system which implements automatic controls or to procure an existing computerized payroll system covering all of UNIDO's requirements. As my staff learned from MIS staff the development of an own new computerized payroll system is impossible because of personnel constraints in MIS. Within MIS only one staff member partly deals with payroll matters. To procure an existing computerized system to meet most of UNIDO's requirements is impossible because of the existing financial constraints and the absence of manpower to incorporate UNIDO's special demands, other necessary adjustments and interfaces to other mainframe applications.

153. According to the "Report on UNIDO's Information Technology Strategy" dated 10 December 1996, "For existing mainframe applications, maintenance should be restricted to those tasks essential to keep systems running or to adjustments or minor enhancements that do not alter the basic systems design, subject to a cost/benefit analysis in terms of time invested and saved." Though necessary maintenance cannot be done, e.g. the "Year-2000-Problem", we learned that it is planned to further reduce MIS staff and the number of consultants mostly dealing with maintenance of existing mainframe applications.

154. The three UN organizations in Vienna use different payroll systems. Within UNOV the former UNIDO payroll system is running without recent improvements. The IAEA has developed a mainframe based computerized payroll system, which is still in use.

155. In my view it is not efficient to use and maintain three different payroll applications with the same legal back ground (UN Staff Rules and Regulations, same salary scales etc.) within the United Nations organizations at Vienna.

156. In its reply Management pointed out that the UN organizations were striving for a uniform Integrated Management Information System (IMIS). UNIDO will keep the option of joining IMIS open until it can determine whether it proves to be an efficient system.

157. Meanwhile, until a new payroll system has been developed and installed, UNIDO should ensure the maintenance of critical EDP applications.

X. ORGANIZATIONAL MATTERS

A. UNIDO's Geneva Office

158. The UNIDO Geneva Office (the Office) was established on 1 May 1976. It serves as a permanent representation of UNIDO to the United Nations Office in Geneva (UNOG), other Geneva-based agencies of the United Nations system and local authorities. It maintains liaison with Permanent Missions of Member States, especially those accredited to UNIDO however being only present in Geneva, intergovernmental organizations, non-governmental institutions and other organizations and entities represented at Geneva. The objective of the Office used to be described in detail in the programme and budgets of past bienniums.

(i) Justification for the Liaison Office

159. The justification for the UNIDO Liaison Offices in New York and Geneva was questioned several times on various occasions, e.g. in 1986 by a group of experts of certain major contributors examining UNIDO's programmes with a view to preparing the 1988-1989 budget, in 1987 at the PBC meeting, and in 1991 as a general proposal to close the New York and the Geneva Offices.

160. In response to those criticisms the Secretariat normally used to explain the "vital" functions of coordination and inter-agency cooperation of both offices. In one case additional information was given to justify the cost incurred for maintaining the Geneva Office. On the basis of 50 meetings not serviced by Vienna about US$ 50,000 were indicated as annual savings on travel and per diem.

(ii) Supervisory function of External Relations Services

161. During the 1997 discussions on the future of UNIDO, HQ requested the Heads of the New York and the Geneva Office respectively to describe, in narrative aswell as quantitative terms, the objectives, evolving mandate and functions, the activities of the Offices and the budgetary allocations during the last three biennia.

162. At present the Director of the Office sends monthly reports to Vienna. Topics for which he assumes a follow-up action by HQ are set in italics. In addition to that he reports separately on issues of major interest in order to initiate adequate and timely action by the agency. Little feedback of HQ can be found in the Office.

163. My staff also observed that general instructions on the cooperation of HQ with the Liaison Offices were issued late and have most likely not been disseminated to all relevant staff, e.g. coordination of HQ's activities with the Liaison Offices.

164. In 1990, the then Director-General pointed out that the limited staff resources of the Liaison Offices made it practically impossible for them to cover three or four meetings the same day as had been requested by staff members of HQ. Therefore HQ should coordinate such activities and ensure that priorities were respected. Furthermore, it was pointed out, that it was the responsibility of the requesting office to prepare briefing material and notes if the Liaison Offices were requested to actively participate in a meeting.

165. The audit team observed that

- No document on the priority setting of meetings was available in the Office
- Coordination of activities was not always successful; e.g. the Director of the Office was requested to attend three meetings in the same period
- Not all staff members notified the Office of forthcoming missions to Geneva
- In several cases copies of back-to-office mission reports were not transmitted to the Office.

(iii) Cooperation with UN organizations

166. One major task of the Office is to promote and strengthen cooperation with other UN organizations, especially as far as programme design and coordination of complementary work is concerned *(inter alia* ECE, ILO, ITU, UNCTAD, WHO, WTO).

167. However, there have only been few activities in these areas in which the Liaison Office was actively involved or of which it has been informed by HQ.

168. Organizations interviewed concurrently stated that the Office is generally not involved in any substantive activities. Based on traditional contacts, staff in the substantive departments cooperate directly with their counterparts in UNIDO HQ.

(iv) Summary and conclusions

169. The supervisory body at HQ should have been in the position to describe the objectives, evolving mandate, functions and activities of the liaison offices as well as the relevant budgetary allocations rather than to ask the Office for this information.

170. While the Office normally provides "HQ promptly and continuously with information on developments in the UN, its subsidiary bodies and specialized agencies in Geneva that are of relevance to the activities and programmes of UNIDO" (programme and budgets, 1996-1997) HQ does not pay much attention to the information it receives.

171. Coordination and working relationship between Geneva-located organizations and UNIDO are to a large extent channelled through direct contacts between staff members on both sides. The Office does not play an important role in this respect.

172. Inter-agency correspondence regularly by-passes the Office. The Office gets little information on the status of ongoing joint activities as well as on programmes from HQ. Normally HQ's officials do not inform the Office about the results of meetings and consultations held with agencies located in Geneva.

173. As an important share of communication between the UN system and UNIDO and vice versa somehow circumvents the Office, its objective of providing and maintaining an effective channel of communication with UN, the specialized agencies etc. is somewhat restricted to reporting on different kind of sessions and to disseminating collected information and identified programmes and activities which might be of interest for UNIDO.

174. My staff therefore recommended that the Organization should take a fundamental decision on UNIDO's strategy concerning the maintenance of the Office on the basis of an objective analytical review and evaluation of the function and performance of the Office.

175. At its thirteenth session the Programme and Budget Committee discussed a drastic streamlining of the organizational structure of UNIDO and recommended the closure of the Geneva Liaison Office. The budget for the biennium 1998-1999, prepared on the basis of decision IDB.18/Dec.5, only comprises an office at UN HQ in New York. However, the Geneva office has not been closed yet.

176. Management hold the view that, "albeit to a lesser degree than in the past, the objective of the Geneva office is described in the programme and budgets, 1998-1999" (Programme B.5.). The specific terms of reference, however, would have to be revised. Management intends to consider my recommendations in the light of the restructured UNIDO with new relationships with other organizations and Member States and the new roles to be played by the outposted offices.

177. It is my understanding that Programme B.5. of the Programme Budgets, 1998-1999, relates to the UNIDO office in New York only. Only this office is mentioned there. Compared with the revised programme and budgets, 1996-1997, the resources provided are just sufficient to cover the requirements of the UNIDO office in New York.

B. Committees in UNIDO

178. My staff has reviewed the work of committees and advisory groups in UNIDO. Having noted that the Director-General intends to rationalize committee work, I limit my comments on the main findings:

- Often it was difficult to collect information on whether a committee was to be categorized as active or passive, its purpose, its composition (actual membership) and the responsible person.

- Some committees had no significant relation to substantive matters and if so, there was no clear understanding of the purpose.

- In many cases there were no systematic reviews on whether recommendations of committees had been transformed into further action. A random check on the use of results of committee work indicated that only a limited number of recommendations were followed.

179. All these findings demonstrated a lack of management and a general lack of impact of the committee work on the service of UNIDO.

180. In this respect the creation of further committees should be thoroughly deliberated as to their significance for UNIDO's services. The need for existing committees should be reconsidered.

181. As far as efficiency is concerned some fundamental principles should be adhered to:

- The number of committee members should be restricted. In our opinion a potential attendance of e.g. 18 or 15 (Inter-Divisional Working Group on Africa and ITMC/ITTC Strategic Planning Sub-committee) does not foster the work of a committee.

- The purpose of the committee as well as the expected output should be accurately defined in order to avoid lengthy discussions on marginal subjects.

- It is recommended to fix a time schedule for presenting the results, the termination of the work and the dissolution of the committee.

- Committee's work is enhanced when discussion focuses on drafts or blueprints prepared by the chairperson. Thus the number of meetings and the duration of the meetings can be reduced.

- Each meeting should have a time limit, a clear agenda, which has to be respected, should be efficiently chaired and directed, the discussion should be constructive and terminated when arguments are recurring and the minutes should be prepared speedily and be accurate.

182. The utmost interest of committee work should be a substantive output which does not preclude the participation of staff members below the managerial level or alternates.

183. Although the involvement of a staff member should principally be decided by management, the responsibility of staff members concerned is also required. Before accepting a further nomination of a committee, they should decide whether the participation in a multitude of committees is still compatible with their regular duties.

184. Management agreed with my assessment on the work of committees in UNIDO. It was pointed out that in early 1998 the number of committees was reduced to just five in order to eliminate a culture of "management by committee" and strengthen individual managerial responsibility and accountability.

XI. PERSONNEL MATTERS

A. Financial information on the staff costs of substantive divisions of UNIDO

185. Table 10 shows the staff costs of the substantive divisions over the 12-year period from 1986 to 1997 and the output of technical cooperation activities expressed in project expenditure. The evolution of the staff cost share of the substantive departments in the total staff costs of the Organization is also shown in the table.

186. The output ratio, technical cooperation expenditure per US dollar spent on staff costs of substantive divisions, is rising again. In 1997 the output ratio reached the highest level since 1991.

187. The table also shows that in 1997 the share of staff costs of substantive divisions in the total staff costs figures at 60 per cent. Except for 1994, it is the lowest since 1991.

B. The 1996 staff reduction exercise

188. Financial constraints led UNIDO to introduce another staff separation programme in November 1995. The declared aim of UNIDO was to reduce staff by approximately 26 per cent. Table 11 shows the number of posts and staff to be paid for at the beginning and at the end of the biennium. The table also shows the ongoing staff reduction programme according to the approved budget for the biennium 1998-1999 (GC.7/21).

189. According to table 11, during the biennium under review the number of posts approved was reduced by 23 per cent. While the vacancy rate was at 13.5 per cent in December 1995 it had been brought down to 9.7 per cent as at the end of the biennium.

190. In the course of the staff reduction exercise 152 staff members left the Organization. The total cost amounted US$ 14.6 million. Thus the average cost per staff member separated was US$ 96,000.

Table 10

UNIDO

Comparison of staff costs of substantive departments with project expenditure and total staff costs, 1986-1997

	1986	*1987*	*1988*	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
A. Technical cooperation expenditure (in millions of US$)	97.3	95.6	115.5	127.1	154.3	140.8	126.2	121.1	97.5	107.2	89.3	95.8
B. Staff costs of substantive departments (in millions of US$)	31.4	36.4	36.3	40.8	48.2	50.9	53.0	57.7	42.8	57.3	43.5	37.2
C. Output ratio (A:B)	3.17	2.68	3.30	3.28	3.31	2.90	2.56	2.05	2.36	1.87	2.05	2.57
D. Total staff costs (in millions of US$)	55.0	64.9	64.8	70.1	83.4	87.1	83.8	90.8	76.0	92.4	70.0	61.8
E. Share of B in D (percentage)	57.04	56.05	56.10	58.21	57.79	58.39	63.28	63.53	56.32	62.01	62.09	60.21

Source: Financial statements of the biennium 1996-1997, annex III, table 1; Annual Report of UNIDO, table 11.

Table 11

UNIDO

Staff reduction programme, 1996

	Regular Budget		*Operational Budget*		*Total*	*Total*
Month/Year	*Posts approved*	*Staff on board*	*Posts approved*	*Staff on board*	*Posts approved*	*Staff on board*
December 1995	862.0	780.5	226.0	155.5	1,088.0	936.0
December 1996	686.0	640.0	164.0	143.5	850.0	783.5
December 1997	678.0	617.0	164.0	143.5	842.0	760.5
Budget 1998	562.5		169.0		731.5	
Budget 1999	449.5		169.0		618.5	

Source: Programme and budgets, 1998-1999, Table 5.

C. Women in the Secretariat

191. The General Conference has repeatedly called for efforts to increase the representation of women in the Secretariat, particularly at senior and decision-making levels, and to achieve to the extent possible, and within existing resources, targets for the overall representation in geographical posts by 1993 and 1995 of 25 and 30 per cent respectively.

192. In document IDB.14/8 the Secretariat reported on a significant increase in the proportion of women at the senior Professional level, rising from 7.1 per cent in 1993 to the level of 13.6 per cent (June 1995), which was near the target of 15 per cent of 1995. Nevertheless, it was noted that it was unlikely to reach the target of 30 per cent overall female representation at the Professional level by the end of 1995.

193. In fact, as at 31 December 1995 the overall representation at the Professional level was at 23.6 per cent. Fifteen women occupied posts at the senior Professional level (P-5 and above) which represented a proportion of 11.9 per cent.

194. One year later, as at 31 December 1996, the representation of women had decreased. The overall representation at the Professional level went down to 22.7 per cent and the proportion of women at the senior Professional level decreased to 11.2 per cent.

195. Notwithstanding that the above-mentioned targets were significantly underachieved, it has especially to be noted that no woman occupies a post at the decision-making level (D-1 or D-2).

196. Management replied that the low representation of women in the Secretariat was a matter of great concern. Concerted efforts were initiated in connection with vacancy announcements advertised. In spite of these efforts, the response was very poor. Only six to ten per cent of the applicants were female; many of the applications did not meet the requirements of the post.

197. I admit that UNIDO faces great difficulties in the recruitment of women. However, I have the impression that recruitment procedures and channels were not always best suited to convince women to work in the Organization. Other UN organizations succeeded, though the applicants had to meet special requirements, to recruit a higher number of women and to promote them to the senior Professional level and above. As an example, I would like to mention IAEA.

198. Although progress in the representation of women on the senior Professional level in comparison with the situation at the end of 1993 has been achieved, nevertheless further efforts have to be made to ensure that the proportion of women at the senior Professional levels is increased in line with the targets established by the policy-making organs. The new placement and promotion system that was introduced in 1996 has still to prove its ffectiveness, since as at 1 April 1997 no changes to the situation as at the end of 1996 could be observed.

XII. OTHER MATTERS

A. Amounts written off, cases of fraud or presumptive fraud, and *ex gratia* payments

199. The Secretariat informed me that the Organization experienced no fraud or presumptive fraud during the biennium 1996-1997.

200. The Organization did not notify me of any write-off cases.

201. No *ex gratia* payments were made.

B. Acknowledgement

I wish to express my appreciation for the cooperation and assistance extended by the Director-General and the staff of UNIDO, in particular, the staff of Financial Services and General Services.

My work has been greatly assisted by the Office of Internal Oversight.

[*Signed*]

Dr. H. von Wedel

President of the Federal Court of Audit
Germany
External Auditor

Annex I

CERTIFICATE OF THE EXTERNAL AUDITOR ON THE ACCOUNTS OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION AND OF THE INDUSTRIAL DEVELOPMENT FUND FOR THE FINANCIAL PERIOD 1996-1997 ENDED 31 DECEMBER 1997

To the President
of the Industrial Development Board

I have audited the following appended statements, numbered I to IV, properly identified, and relevant schedules of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 1996-1997 ended 31 December 1997. These financial statements and schedules are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, conforming with international standards of auditing, and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. Those standards require that I plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

My examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as I considered necessary in the circumstances. I have obtained all the information and explanations that I required for the purpose of the audit. As a result of my examination, I certify that, in my opinion:

(a) The financial statements reflect properly the recorded financial transactions for the biennium ended 31 December 1997 and present fairly, in all material respects, the Organisation's financial position as at 31 December 1997;

(b) The financial transactions reflected in the statements have been in accordance with the applicable Financial regulaulations and legislative authority;

(c) The financial statements have been prepared in accordance with the stated accounting policies and procedures, which were applied on a basis consistent with that of the preceding financial period.

Additional information and comments on the financial statements and this opinion are included in the observations in my long form report.

[*Signed*]

Dr. H. von Wedel
President of the Federal Court of Audit
Germany
External Auditor

Annex II

FINANCIAL STATEMENTS FOR THE 24-MONTH PERIOD OF THE BIENNIUM 1996-1997 ENDED 31 DECEMBER 1997

Certification of financial statements

Director-General's responsibility

The Director-General of the United Nations Industrial Development Organization is responsible for the preparation and integrity of the financial statements. These statements have been prepared in accordance with the United Nations organizations common accounting standards and necessarily include some amounts that are based on management's best estimates and judgement. Financial information used elsewhere is consistent with that in the financial statements. Management considers that the statements present fairly the financial position of the Organization and of funds held in trust by it, the results of their operations and the changes in their financial position.

To fulfil its responsibility, the Organization maintains systems of internal accounting controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control system and financial records are subject to reviews by the Office of Internal Oversight and the External Auditor during their respective audits.

The following appended financial statements, comprising Statements I to IV, relevant Schedules and supporting notes, were properly prepared in accordance with Article X of the Financial Regulations of UNIDO and the United Nations Accounting Standards and are hereby approved.

Carlos Magariños
Director-General

Eric Whiting
Officer-in Charge
Financial Services

Statement I

STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES

for the biennium ending 31 December 1997

(In thousands of United States dollars)

Heading	General Fund and Working Capital Fund *(Note or schedule no.)*		Other Headquarters funds *(Note or schedule no.)*		Technical cooperation *(Note or schedule no.)*		Eliminations	Total 1996-1997	Total 1994-1995
INCOME									
Assessed contributions	202,195.2	*2(a)*						202,195.2	235,793.8
Voluntary contributions					138,407.0			138,407.0	111,267.0
Other income									
Revenue-producing activities	198.1	*2(b)*						198.1	133.9
Funds received under inter-organization arrangements					59,565.3			59,565.3	70,776.6
Jointly-financed activities	24,969.8							24,969.8	33,012.8
Income for services rendered	980.3		25,991.4					26,971.7	28,251.5
Interest income	1,247.0		461.9		14,358.6			16,067.5	16,623.2
Currency exchange adjustments	(2,520.5)	*2(c)*	(98.1)		(4,545.8)			(7,164.4)	6,700.4
Miscellaneous	1,930.6				(99.7)			1,830.9	1,491.1
TOTAL INCOME	229,000.5		26,355.2		207,685.4			463,041.1	504,050.3
EXPENDITURE									
Salaries and common staff costs	127,259.5		24,091.4		71,401.9		6,259.6	229,012.4	302,438.4
Contractual services	733.4		114.8		50,259.4		721.1	51,828.7	35,599.2
Operational expenses	26,683.1		988.8		7,123.4		638.6	35,433.9	41,824.3
Acquisitions	1,046.5		659.7		34,145.0		743.8	36,595.0	38,501.3
Fellowships					11,892.3		1,921.8	13,814.1	18,406.5
Technical cooperation	10,284.9						(10,284.9)		
Programme support costs			68.5		23,225.3			23,293.8	24,116.4
Other expenditure	25,186.6		58.2					25,244.8	26,742.0
TOTAL EXPENDITURE	191,194.0		25,981.4		198,047.3			415,222.7	487,628.1
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	37,806.5		373.8	*3(b)*	9,638.1			47,818.4	16,421.9
Prior biennium adjustments	(3,790.0)	*2(d)*			(15.5)			(3,805.5)	(7,163.7)
Savings on or cancellation of obligations from prior biennium	3,879.3	*2(e)*	371.7					4,251.0	3,675.2
Provision for delays in the collection of contributions	(99,974.5)							(99,974.5)	
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	(62,078.7)		745.5		9,622.6			(51,710.6)	12,933.4
Transfers to reserves	167.7				228.3	*4(b)*		396.0	9,728.7
Transfers from reserves	(7,065.0)	*2(m)*						(7,065.0)	(791.1)
Credits to Member States	(3,873.6)							(3,873.6)	529.9
Reserves and fund balances, beginning of biennium	70,594.2		3,915.4		75,470.8			149,980.4	127,579.5
RESERVES AND FUND BALANCES, END OF 1997	(2,255.4)		4,660.9		85,321.7			87,727.2	149,980.4

Statement II

STATEMENT OF ASSETS, LIABILITIES, AND RESERVES AND FUND BALANCES
as at 31 December 1997
(In thousands of United States dollars)

Heading	General Fund and Working Capital Fund *(Note or schedule no.)*		Other headquarters funds *(Note or schedule no.)*		Technical cooperation *(Note or schedule no.)*		Eliminations	Total 1997	Total 1995
ASSETS									
Cash and term deposits	13,509.1		4,448.2		160,345.1	*4(c)*		178,302.4	174,256.9
Investments									
Accounts receivable									
Assessed contributions receivable from Member States	99,423.3	2.1						99,423.3	80,905.8
Voluntary contributions receivable					46,767.3	2.3		46,767.3	24,085.8
Other contributions receivable	551.2	2.2			5,110.2			5,661.4	7,851.8
Provision for delays in the collection of contributions	(99,974.5)							(99,974.5)	
Interfund balances			748.7		887.8			1,636.5	2,996.4
Other									
Other assets	9,417.3	*2(f)*	151.3		2,099.8	*4(d)*		11,668.4	17,787.2
					6,057.9	*4(e)*		6,057.9	5,432.6
TOTAL ASSETS	22,926.4		5,348.2		221,268.1			249,542.7	313,316.5
LIABILITIES									
Payments or contributions received in advance	630.1	*2(g)*			8,336.0	*4(f)*		8,966.1	27,484.8
Borrowings payable within one year	1,000.0	*2(h)*						1,000.0	1,000.0
Unliquidated obligations	11,685.0		675.0		32,946.1			45,306.1	46,835.6
Accounts payable									
Interfund balances	1,045.1				591.4			1,636.5	2,996.4
Other	3,821.6	*2(i)*	12.3		9,263.5	*4(g)*		13,097.4	14,447.3
Other funds and special accounts		*2(j)*							950.5
Other liabilities					84,809.4	*4(f)*		84,809.4	60,621.5
Borrowings payable after one year	7,000.0	*2(h)*						7,000.0	9,000.0
TOTAL LIABILITIES	25,181.8		687.3		135,946.4			161,815.5	163,336.1
RESERVES AND FUND BALANCES									
Operating reserves			4,300.0	*3(c)*	550.0	*4(h)*		4,850.0	6,054.2
Other reserves	15,590.6	*2(m)*			1,831.2	*4(b)*		17,421.8	10,358.5
Balances relating to projects funded by donors					80,883.5			80,883.5	70,895.2
Working capital funds	6,762.6	*2(k)*						6,762.6	9,028.8
Surplus (deficit)	(24,608.6)	*2(l)*	360.9		2,057.0			(22,190.7)	53,643.7
TOTAL RESERVES AND FUND BALANCES	(2,255.4)		4,660.9		85,321.7			87,727.2	149,980.4
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	22,926.4		5,348.2		221,268.1			249,542.7	313,316.5

Schedule 2.1

STATUS OF ASSESSED CONTRIBUTIONS TO THE REGULAR BUDGET

(As at 31 December 1997)

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1997				Credits and Collections in 1997				Contributions Outstanding as at 31 December 1997					TOTAL
		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium			
		Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	$ Equiv.	$ Equiv.
AFGHANISTAN	0.0100	34,581	0	1,876	177,500	17	0	0	0	34,564	0	1,876	177,500	14,430	50,870
ALBANIA	0.0100	43,242	0	1,876	177,500	17	0	0	0	43,225	0	1,876	177,500	14,430	59,531
ALGERIA	0.2200	0	0	41,505	3,926,316	0	0	10,380	981,944	0	0	31,125	2,944,372	239,379	270,504
ANGOLA	0.0100	18,031	0	1,876	177,500	18,031	0	1,619	153,174	0	0	257	24,326	1,978	2,235
ARGENTINA	0.6700	1,362,339	0	125,442	11,866,811	663,336	0	0	0	699,003	0	125,442	11,866,811	964,781	1,789,226
ARMENIA	0.0700	588,406	0	13,735	1,299,306	0	0	0	0	588,406	0	13,735	1,299,306	105,634	707,775
AUSTRALIA	2.0570	0	0	192,980	18,255,950	0	0	192,980	18,255,950	0	0	0	0	0	0
AUSTRIA	1.2100	0	0	113,518	10,738,794	0	0	113,518	10,738,794	0	0	0	0	0	0
AZERBAIJAN	0.1500	757,771	0	29,392	2,780,548	0	0	0	0	757,771	0	29,392	2,780,548	226,061	1,013,224
BAHAMAS	0.0300	0	0	2,814	266,251	0	0	737	69,695	0	0	2,077	196,556	15,980	16,057
BAHRAIN	0.0300	0	0	2,814	266,251	0	0	2,814	266,251	0	0	0	0	0	0
BANGLADESH	0.0100	0	0	938	88,750	0	0	938	88,750	0	0	0	0	0	0
BARBADOS	0.0100	0	0	1,854	175,465	0	0	17	1,589	0	0	1,837	173,876	14,136	15,973
BELARUS	0.3900	1,426,521	0	74,724	7,068,966	901,630	0	0	0	524,891	0	74,724	7,068,966	574,713	1,174,328
BELGIUM	1.4000	0	0	131,343	12,425,051	0	0	131,343	12,425,051	0	0	0	0	0	0
BELIZE	0.0100	0	0	1,854	175,465	0	0	1,854	175,465	0	0	0	0	0	0
BENIN	0.0100	0	0	1,854	175,465	0	0	1,854	175,465	0	0	0	0	0	0
BHUTAN	0.0100	10,344	0	1,876	177,500	8,656	0	0	0	1,688	0	1,876	177,500	14,430	17,994
BOLIVIA	0.0100	45,513	0	1,876	177,500	17	0	0	0	45,496	0	1,876	177,500	14,430	61,802
BOSNIA AND HERZEGOVINA	0.0100	173,878	0	2,570	243,176	0	0	0	0	173,878	0	2,570	243,176	19,770	198,218
BOTSWANA	0.0100	0	0	938	88,750	0	0	938	88,750	0	0	0	0	0	0
BRAZIL	2.2500	3,136,053	0	422,324	39,951,864	1,241,035	0	0	0	1,895,018	0	422,324	39,951,864	3,248,119	5,565,461
BULGARIA	0.1100	0	0	10,320	976,254	0	0	10,320	976,254	0	0	0	0	0	0

Schedule 2.1

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1997				Credits and Collections in 1997				Contributions Outstanding as at 31 December 1997					
		Prior Bienniums		Current Biennium		Prior Bienniums		Current Biennium		Prior Bienniums		Current Biennium			TOTAL
		Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	$ Equiv.	$ Equiv.
BURKINA FASO	0.0100	64,557	0	1,828	177,500	17	0	0	0	64,540	0	1,876	177,500	14,430	80,846
BURUNDI	0.0100	27,768	0	1,876	177,500	17	0	0	0	27,751	0	1,876	177,500	14,430	44,057
CAMBODIA	0.0100	0	0	1,876	177,500	0	0	0	0	0	0	1,876	177,500	14,430	16,306
CAMEROON	0.0100	0	0	938	88,750	0	0	938	88,750	0	0	0	0	0	0
CAPE VERDE	0.0100	51,966	0	1,876	177,500	17	0	0	0	51,949	0	1,876	177,500	14,430	68,255
CENTRAL AFRICAN REPUBLIC	0.0100	67,941	0	1,876	177,500	17	0	0	0	67,924	0	1,876	177,500	14,430	84,230
CHAD	0.0100	43,470	0	1,876	177,500	0	0	0	0	43,470	0	1,876	177,500	14,430	59,776
CHILE	0.1100	0	0	10,525	995,660	0	0	142	13,482	0	0	10,383	982,178	79,852	90,235
CHINA	1.0300	0	0	96,631	9,141,287	0	0	96,631	9,141,287	0	0	0	0	0	0
COLOMBIA	0.1400	0	0	13,134	1,242,505	0	0	13,134	1,242,505	0	0	0	0	0	0
COMOROS	0.0100	76,334	0	1,876	177,500	0	0	0	0	76,334	0	1,876	177,500	14,430	92,640
CONGO	0.0100	62,609	0	1,876	177,500	17	0	0	0	62,592	0	1,876	177,500	14,430	78,898
COSTA RICA	0.0100	50,699	0	1,876	177,500	17	0	0	0	50,682	0	1,876	177,500	14,430	66,988
COTE D'IVOIRE	0.0100	37,278	0	1,876	177,500	37,278	0	1,876	177,500	0	0	0	0	0	0
CROATIA	0.1300	257,909	0	23,932	2,264,022	94,816	0	0	0	163,093	0	23,932	2,264,022	184,067	371,092
CUBA	0.0700	125,650	0	13,416	1,269,131	21,448	0	0	0	104,202	0	13,416	1,269,131	103,181	220,799
CYPRUS	0.0400	0	0	3,753	355,001	0	0	3,753	355,001	0	0	0	0	0	0
CZECH REPUBLIC	0.3500	0	0	32,836	3,106,263	0	0	32,836	3,106,263	0	0	0	0	0	0
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	0.0700	238,648	0	13,087	1,238,068	0	0	0	0	238,648	0	13,087	1,238,068	100,656	352,391
DEMOCRATIC REPUBLIC OF THE CONGO	0.0100	61,773	0	1,876	177,500	17	0	0	0	61,756	0	1,876	177,500	14,430	78,062
DENMARK	1.0000	0	0	93,816	8,875,036	0	0	93,816	8,875,036	0	0	0	0	0	0
DJIBOUTI	0.0100	43,470	0	1,876	177,500	0	0	0	0	43,470	0	1,876	177,500	14,430	59,776
DOMINICA	0.0100	41,222	0	1,876	177,500	17	0	0	0	41,205	0	1,876	177,500	14,430	57,511

Schedule 2.1

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1997				Credits and Collections in 1997				Contributions Outstanding as at 31 December 1997					TOTAL
		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium			
		Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	$ Equiv.	$ Equiv.
DOMINICAN REPUBLIC	0.0100	220,272	0	1,876	177,500	0	0	0	0	220,272	0	1,876	177,500	14,430	236,578
ECUADOR	0.0300	102,848	0	5,422	512,977	67,907	0	0	0	34,941	0	5,422	512,977	41,705	82,068
EGYPT	0.1100	0	0	10,320	976,254	0	0	10,320	976,254	0	0	0	0	0	0
EL SALVADOR	0.0100	60,974	0	1,876	177,500	0	0	0	0	60,974	0	1,876	177,500	14,430	77,280
EQUATORIAL GUINEA	0.0100	76,334	0	1,876	177,500	0	0	0	0	76,334	0	1,876	177,500	14,430	92,640
ERITREA	0.0100	0	0	1,760	166,585	0	0	0	0	0	0	1,760	166,585	13,543	15,303
ETHIOPIA	0.0100	0	0	938	88,750	0	0	938	88,750	0	0	0	0	0	0
FIJI	0.0100	0	0	938	88,750	0	0	243	23,048	0	0	695	65,702	5,342	6,037
FINLAND	0.8500	0	0	80,682	7,632,531	0	0	80,682	7,632,531	0	0	0	0	0	0
FRANCE	6.9200	0	0	836,841	79,165,324	0	0	836,841	79,165,324	0	0	0	0	0	0
GABON	0.0100	22,184	0	1,876	177,500	326	0	0	0	21,858	0	1,876	177,500	14,430	36,164
GAMBIA	0.0100	76,334	0	1,876	177,500	31,972	0	0	0	44,362	0	1,876	177,500	14,430	60,668
GEORGIA	0.1500	936,164	0	29,392	2,780,548	0	0	0	0	936,164	0	29,392	2,780,548	228,081	1,191,617
GERMANY	12.5900	0	0	1,181,147	111,736,707	0	0	1,181,147	111,736,707	0	0	0	0	0	0
GHANA	0.0100	0	0	938	88,750	0	0	131	12,396	0	0	807	76,354	6,208	7,015
GREECE	0.5300	0	0	49,960	4,726,196	0	0	49,960	4,726,196	0	0	0	0	0	0
GRENADA	0.0100	63,327	0	1,876	177,500	17	0	0	0	63,310	0	1,876	177,500	14,430	79,618
GUATEMALA	0.0300	128,633	0	5,422	512,977	0	0	0	0	128,633	0	5,422	512,977	41,705	175,760
GUINEA	0.0100	20,838	0	1,876	177,500	163	0	0	0	20,675	0	1,876	177,500	14,430	36,981
GUINEA-BISSAU	0.0100	72,666	0	1,876	177,500	17	0	0	0	72,649	0	1,876	177,500	14,430	88,955
GUYANA	0.0100	0	0	938	88,750	0	0	938	88,750	0	0	0	0	0	0
HAITI	0.0100	82,933	0	1,876	177,600	82,933	0	1,876	177,500	0	0	0	0	0	0
HONDURAS	0.0100	46,367	0	1,876	177,500	2,995	0	0	0	45,372	0	1,876	177,500	14,430	61,678
HUNGARY	0.1900	0	0	17,825	1,686,257	0	0	17,825	1,686,257	0	0	0	0	0	0
INDIA	0.4300	0	0	46,387	4,388,211	0	0	46,387	4,388,211	0	0	0	0	0	0

Schedule 2.1

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1997 — Prior Biennium Dollar	Prior Biennium Schilling	Current Biennium Dollar	Current Biennium Schilling	Credits and Collections in 1997 — Prior Biennium Dollar	Prior Biennium Schilling	Current Biennium Dollar	Current Biennium Schilling	Contributions Outstanding as at 31 December 1997 — Prior Biennium Dollar	Prior Biennium Schilling	Current Biennium Dollar	Current Biennium Schilling	$ Equiv.	TOTAL $ Equiv.
INDONESIA	0.1900	0	0	17,825	1,666,257	0	0	17,825	1,666,257	0	0	0	0	0	0
IRAN (ISLAMIC REPUBLIC OF)	0.6300	784,914	0	120,066	11,358,272	13,729	0	0	0	771,185	0	120,066	11,358,272	923,437	1,814,668
IRAQ	0.1900	693,560	0	36,062	3,413,339	0	0	0	0	693,560	0	36,062	3,413,339	277,507	1,007,149
IRELAND	0.2900	0	0	27,207	2,573,761	0	0	27,207	2,573,761	0	0	0	0	0	0
ISRAEL	0.3800	0	0	35,650	3,372,514	0	0	35,650	3,372,514	0	0	0	0	0	0
ITALY	7.3000	0	0	1,008,872	95,250,235	0	0	1,008,872	95,250,235	0	0	0	0	0	0
JAMAICA	0.0100	0	0	1,790	169,319	0	0	666	63,017	0	0	1,124	106,302	8,642	9,766
JAPAN	21.7500	0	0	2,040,503	193,032,040	0	0	2,040,503	193,032,040	0	0	0	0	0	0
JORDAN	0.0100	0	0	938	88,750	0	0	938	88,750	0	0	0	0	0	0
KENYA	0.0100	1,361	0	1,876	177,500	163	0	0	0	1,198	0	1,876	177,500	14,430	17,504
KUWAIT	0.2800	0	0	24,392	2,307,509	0	0	24,392	2,307,509	0	0	0	0	0	0
KYRGYZSTAN	0.0400	200,310	0	7,993	756,153	0	0	0	0	200,310	0	7,993	756,153	61,476	269,779
LAO PEOPLE'S DEMOCRATIC REPUBLIC	0.0100	0	0	1,854	175,465	0	0	1,854	175,465	0	0	0	0	0	0
LEBANON	0.0100	11,437	0	1,876	177,500	11,437	0	1,876	177,500	0	0	0	0	0	0
LESOTHO	0.0100	0	0	938	88,750	0	0	938	88,750	0	0	0	0	0	0
LIBERIA	0.0100	43,470	0	1,876	177,500	0	0	0	0	43,470	0	1,876	177,500	14,430	59,776
LIBYAN ARAB JAMAHIRIYA	0.2800	455,760	0	52,669	4,982,445	292,916	0	0	0	162,844	0	52,669	4,982,445	405,076	620,589
LITHUANIA	0.1100	347,470	0	21,400	2,024,396	2,992	0	0	0	344,478	0	21,400	2,024,396	164,585	530,463
LUXEMBOURG	0.1000	0	0	9,382	887,504	0	0	9,382	887,504	0	0	0	0	0	0
MADAGASCAR	0.0100	37,557	0	1,876	177,500	37,557	0	994	94,064	0	0	882	83,436	6,783	7,665
MALAWI	0.0100	20,187	0	1,876	177,500	20,187	0	231	21,851	0	0	1,645	155,649	12,654	14,299
MALAYSIA	0.1900	0	0	17,825	1,666,257	0	0	17,825	1,666,257	0	0	0	0	0	0
MALDIVES	0.0100	0	0	1,854	175,465	0	0	17	1,589	0	0	1,837	173,876	14,138	15,973

Schedule 2.1

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1997				Credits and Collections in 1997				Contributions Outstanding as at 31 December 1997					TOTAL
		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium			
		Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	$ Equiv.	$ Equiv.
MALI	0.0100	21,314	0	1,876	177,500	163	0	0	0	21,151	0	1,876	177,500	14,430	37,457
MALTA	0.0100	0	0	938	88,750	0	0	938	88,750	0	0	0	0	0	0
MAURITANIA	0.0100	70,170	0	1,876	177,500	17	0	0	0	70,153	0	1,876	177,500	14,430	86,459
MAURITIUS	0.0100	0	0	938	88,750	0	0	938	88,750	0	0	0	0	0	0
MEXICO	1.1000	0	0	103,198	9,762,540	0	0	103,198	9,762,540	0	0	0	0	0	0
MONGOLIA	0.0100	0	0	938	88,750	0	0	938	88,750	0	0	0	0	0	0
MOROCCO	0.0400	0	0	3,753	355,001	0	0	3,753	355,001	0	0	0	0	0	0
MOZAMBIQUE	0.0100	0	0	938	88,750	0	0	938	88,750	0	0	0	0	0	0
MYANMAR	0.0100	0	0	938	88,750	0	0	938	88,750	0	0	0	0	0	0
NAMIBIA	0.0100	0	0	1,013	95,861	0	0	1,013	95,861	0	0	0	0	0	0
NEPAL	0.0100	18,772	0	1,876	177,500	18,772	0	222	21,006	0	0	1,654	156,494	12,723	14,377
NETHERLANDS	2.2100	0	0	207,334	19,613,830	0	0	207,334	19,613,830	0	0	0	0	0	0
NEW ZEALAND	0.3300	0	0	30,959	2,928,762	0	0	30,959	2,928,762	0	0	0	0	0	0
NICARAGUA	0.0100	87,914	0	1,876	177,500	0	0	0	0	87,914	0	1,876	177,500	14,430	104,220
NIGER	0.0100	51,997	0	1,876	177,500	17	0	0	0	51,980	0	1,876	177,500	14,430	68,286
NIGERIA	0.1500	0	0	14,072	1,331,255	0	0	887	83,828	0	0	13,185	1,247,427	101,417	114,602
NORWAY	0.7800	0	0	73,177	6,922,528	0	0	73,177	6,922,528	0	0	0	0	0	0
OMAN	0.0600	0	0	5,629	532,502	0	0	5,629	532,502	0	0	0	0	0	0
PAKISTAN	0.0800	20,654	0	15,329	1,450,181	20,654	0	15,329	1,450,181	0	0	0	0	0	0
PANAMA	0.0100	18,752	0	1,876	177,500	18,752	0	216	20,420	0	0	1,660	157,080	12,770	14,430
PAPUA NEW GUINEA	0.0100	0	0	938	88,750	0	0	17	1,589	0	0	921	87,161	7,088	8,007
PARAGUAY	0.0100	17,862	0	1,876	177,500	17,862	0	1,876	177,500	0	0	0	0	0	0
PERU	0.0800	139,792	0	15,329	1,450,181	139,792	0	1,713	162,028	0	0	13,616	1,288,153	104,728	118,344
PHILIPPINES	0.0800	0	0	7,505	710,003	0	0	141	13,307	0	0	7,364	696,696	56,642	64,006
POLAND	0.4600	0	0	43,155	4,082,517	0	0	43,155	4,082,517	0	0	0	0	0	0

Schedule 2.1

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1997				Credits and Collections in 1997				Contributions Outstanding as at 31 December 1997					TOTAL
		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium		Prior Biennium		Current Biennium			
		Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	$ Equiv.	$ Equiv.
PORTUGAL	0.3900	0	0	36,588	3,461,264	0	0	36,588	3,461,264	0	0	0	0	0	0
QATAR	0.0600	1,110	0	10,845	1,025,954	518	0	0	0	592	0	10,845	1,025,954	83,411	94,848
REPUBLIC OF KOREA	1.1400	0	0	106,951	10,117,541	0	0	106,951	10,117,541	0	0	0	0	0	0
REPUBLIC OF MOLDOVA	0.1100	432,049	0	21,400	2,024,396	796	0	0	0	431,253	0	21,400	2,024,396	164,585	617,238
ROMANIA	0.2100	0	0	39,262	3,714,203	0	0	19,836	1,876,506	0	0	19,426	1,837,697	149,406	168,832
RUSSIAN FEDERATION	5.9300	1,910,451	0	1,136,584	107,521,065	1,910,451	0	493,817	46,715,168	0	0	642,767	60,805,897	4,943,569	5,586,336
RWANDA	0.0100	31,880	0	1,876	177,500	17	0	0	0	31,843	0	1,876	177,500	14,430	48,149
SAINT KITTS AND NEVIS	0.0100	17,772	0	1,876	177,500	3,843	0	0	0	13,929	0	1,876	177,500	14,430	30,235
SAINT LUCIA	0.0100	0	0	938	88,750	0	0	852	80,578	0	0	86	8,172	664	750
SAINT VINCENT AND THE GRENADINES	0.0100	67,469	0	1,876	177,500	17	0	0	0	67,452	0	1,876	177,500	14,430	83,758
SAO TOME AND PRINCIPE	0.0100	76,334	0	1,876	177,500	0	0	0	0	76,334	0	1,876	177,500	14,430	92,640
SAUDI ARABIA	0.9900	720,459	0	186,760	17,667,535	440,424	0	0	0	280,035	0	186,760	17,667,535	1,436,385	1,903,180
SENEGAL	0.0100	0	0	938	88,750	0	0	938	88,750	0	0	0	0	0	0
SEYCHELLES	0.0100	62,369	0	1,876	177,500	19,882	0	0	0	42,487	0	1,876	177,500	14,430	58,793
SIERRA LEONE	0.0100	53,364	0	1,876	177,500	17	0	0	0	53,347	0	1,876	177,500	14,430	69,653
SLOVAKIA	0.1100	0	0	10,320	976,254	0	0	10,320	976,254	0	0	0	0	0	0
SLOVENIA	0.1000	0	0	9,382	887,504	0	0	133	12,569	0	0	9,249	874,935	71,133	80,382
SOMALIA	0.0100	87,914	0	1,876	177,500	0	0	0	0	87,914	0	1,876	177,500	14,430	104,220
SPAIN	3.3100	0	0	310,532	29,376,370	0	0	310,532	29,376,370	0	0	0	0	0	0
SRI LANKA	0.0100	0	0	1,455	137,675	0	0	1,455	137,675	0	0	0	0	0	0
SUDAN	0.0100	28,226	0	1,876	177,500	28,226	0	1,876	177,500	0	0	0	0	0	0
SURINAME	0.0100	0	0	1,806	171,069	0	0	17	1,589	0	0	1,791	169,480	13,778	15,569
SWAZILAND	0.0100	0	0	938	88,750	0	0	938	88,750	0	0	0	0	0	0

Schedule 2.1

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1997				Credits and Collections in 1997				Contributions Outstanding as at 31 December 1997					TOTAL
		Prior Bienniums		Current Biennium		Prior Bienniums		Current Biennium		Prior Bienniums		Current Biennium			
		Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	Dollar	Schilling	$ Equiv.	$ Equiv.
SWEDEN	1.7100	0	0	160,428	15,176,312	0	0	160,428	15,176,312	0	0	0	0	0	0
SWITZERLAND	1.6600	0	0	157,811	14,910,061	0	0	157,811	14,910,061	0	0	0	0	0	0
SYRIAN ARAB REPUBLIC	0.0700	130,917	0	13,087	1,238,068	130,917	0	12,264	1,160,166	0	0	823	77,902	6,333	7,156
TAJIKISTAN	0.0300	166,925	0	5,422	512,977	0	0	0	0	166,925	0	5,422	512,977	41,705	214,052
THAILAND	0.1600	0	0	16,887	1,597,507	0	0	16,887	1,597,507	0	0	0	0	0	0
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	0.0100	41,949	0	1,876	177,500	18,658	0	0	0	23,291	0	1,876	177,500	14,430	39,597
TOGO	0.0100	33,208	0	1,876	177,500	17	0	0	0	33,191	0	1,876	177,500	14,430	49,497
TONGA	0.0100	0	0	1,175	111,234	0	0	1,175	111,234	0	0	0	0	0	0
TRINIDAD AND TOBAGO	0.0400	15,284	0	7,993	756,153	15,284	0	3,866	365,736	0	0	4,127	390,417	31,741	35,868
TUNISIA	0.0400	110	0	7,665	725,090	110	0	7,395	699,504	0	0	270	25,586	2,080	2,350
TURKEY	0.5300	0	0	60,620	5,734,596	0	0	60,620	5,734,596	0	0	0	0	0	0
TURKMENISTAN	0.0400	0	0	7,993	756,153	0	0	0	0	0	0	7,993	756,153	61,476	69,469
UGANDA	0.0100	23,204	0	1,876	177,500	5,339	0	0	0	17,865	0	1,876	177,500	14,430	34,171
UKRAINE	1.5200	4,054,748	0	291,243	27,551,663	23,428	0	0	0	4,031,320	0	291,243	27,551,663	2,239,972	6,562,535
UNITED ARAB EMIRATES	0.2600	33,629	0	49,169	4,651,406	33,629	0	20,998	1,986,442	0	0	28,171	2,664,964	216,663	244,834
UNITED KINGDOM	7.3900	0	0	693,302	65,586,518	0	0	693,302	65,586,518	0	0	0	0	0	0
UNITED REPUBLIC OF TANZANIA	0.0100	35,790	0	1,876	177,500	17	0	0	0	35,773	0	1,876	177,500	14,480	52,079
URUGUAY	0.0600	84,299	0	10,845	1,025,954	84,299	0	4,118	389,596	0	0	6,727	636,358	51,737	58,464
UZBEKISTAN	0.1600	0	0	34,815	3,293,526	0	0	0	0	0	0	34,815	3,293,526	267,767	302,582
VANUATU	0.0100	38,435	0	1,876	177,500	17	0	0	0	38,418	0	1,876	177,500	14,430	54,724
VENEZUELA	0.4600	2,011,814	0	87,164	8,245,797	2,011,814	0	87,164	8,245,797	0	0	0	0	0	0
VIET NAM	0.0100	0	0	938	88,750	0	0	17	1,589	0	0	921	87,161	7,086	8,007

Schedule 2.1

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1997 — Prior Bienniums Dollar	Prior Bienniums Schilling	Current Biennium Dollar	Current Biennium Schilling	Credits and Collections in 1997 — Prior Bienniums Dollar	Prior Bienniums Schilling	Current Biennium Dollar	Current Biennium Schilling	Contributions Outstanding as at 31 December 1997 — Prior Bienniums Dollar	Prior Bienniums Schilling	Current Biennium Dollar	Current Biennium Schilling	Current Biennium $ Equiv.	TOTAL $ Equiv.
YEMEN	0.0100	85,303	0	1,876	177,500	8,334	0	0	0	78,969	0	1,876	177,500	14,430	93,275
YUGOSLAVIA	0.1400	1,403,506	0	26,493	2,506,310	395	0	0	0	1,403,111	0	26,493	2,506,310	203,765	1,633,369
ZAMBIA	0.0100	20,717	0	1,876	177,500	7,374	0	0	0	13,343	0	1,876	177,500	14,430	29,849
ZIMBABWE	0.0100	1,225	0	1,876	177,500	1,225	0	1,876	177,500	0	0	0	0	0	0
Sub-total 1 Member States	86-87	64,501	0	0	0	6,599	0	0	0	57,902	0	0	0	0	57,902
	88-89	211,219	0	0	0	39,076	0	0	0	172,143	0	0	0	0	172,143
	90-91	1,339,102	0	0	0	56,604	0	0	0	1,282,498	0	0	0	0	1,282,498
	92-93	3,721,860	0	0	0	1,194,924	0	0	0	2,526,936	0	0	0	0	2,526,936
	94-95	20,134,856	0	0	0	7,213,600	0	0	0	12,921,256	0	0	0	0	12,921,256
	96-97	0	0	11,305,823	1,069,535,970	0	0	8,832,177	835,526,165	0	0	2,473,646	234,009,805	19,025,139	21,498,785
	T	25,471,538	0	11,305,823	1,069,535,970	8,510,803	0	8,832,177	835,526,165	16,960,735	0	2,473,646	234,009,805	19,025,139	38,459,520
UNITED STATES OF AMERICA	0.0000	35,779,321	0	2,944,650	278,564,374	407,663	0	0	0	35,371,658	0	2,944,650	278,564,374	22,647,510	60,963,818
Sub-total 2	94-95	35,779,321	0	0	0	407,663	0	0	0	35,371,658	0	0	0	0	35,371,658
	96-	0	0	2,944,650	278,564,374	0	0	0	0	0	0	2,944,650	278,564,374	22,647,510	25,592,160
	T	35,779,321	0	2,944,650	278,564,374	407,663	0	0	0	35,371,658	0	2,944,650	278,564,374	22,647,510	60,963,818

Note :
In accordance with General Conference resolution GC/S.1/Res.1, the Federal Republic of Yugoslavia (Serbia and Montenegro) cannot continue automatically the membership of the former Socialist Federal Republic of Yugoslavia in UNIDO. Subject to any amendment to the United Nations scale of assessments approved by the United Nations General Assembly, this rate will apply to the Federal Republic of Yugoslavia (Serbia and Montenegro) should it apply for membership in UNIDO and be accepted.

Schedule 2.1

Member State	Scale of assessment (percentage)	Contributions Payable 1 January 1997 — Prior Biennium Dollar	Prior Biennium Schilling	Current Biennium Dollar	Current Biennium Schilling	Credits and Collections in 1997 — Prior Biennium Dollar	Prior Biennium Schilling	Current Biennium Dollar	Current Biennium Schilling	Contributions Outstanding as at 31 December 1997 — Prior Biennium Dollar	Prior Biennium Schilling	Current Biennium Dollar	Current Biennium Schilling	Current Biennium $ Equiv.	TOTAL $ Equiv.
CAMBODIA	0.0100	7,459	0	0	0	0	0	0	0	7,459	0	0	0	0	7,459
CHAD	0.0100	8,752	0	0	0	0	0	0	0	8,752	0	0	0	0	8,752
COMOROS	0.0100	11,580	0	0	0	0	0	0	0	11,580	0	0	0	0	11,580
DJIBOUTI	0.0100	8,517	0	0	0	17	0	0	0	8,500	0	0	0	0	8,500
EL SALVADOR	0.0100	15,380	0	0	0	0	0	0	0	15,380	0	0	0	0	15,380
EQUATORIAL GUINEA	0.0100	11,580	0	0	0	0	0	0	0	11,580	0	0	0	0	11,580
GAMBIA	0.0100	2,047	0	0	0	2,047	0	0	0	-0	0	0	0	0	-0
KAZAKHSTAN	0.1900	0	0	17,825	1,686,257	0	0	0	0	0	0	17,825	1,686,257	137,094	154,919
LIBERIA	0.0100	17,279	0	0	0	17	0	0	0	17,262	0	0	0	0	17,262
SAO TOME AND PRINCIPE	0.0100	11,580	0	0	0	0	0	0	0	11,580	0	0	0	0	11,580
TURKMENISTAN	0.0400	46,600	0	0	0	0	0	0	0	46,600	0	0	0	0	46,600
UZBEKISTAN	0.1800	433,555	0	0	0	175,974	0	0	0	257,581	0	0	0	0	257,581
Sub-total 3 New Member States	86-87	36,787	0	0	0	2,047	0	0	0	34,740	0	0	0	0	34,740
	88-89	15,360	0	0	0	0	0	0	0	15,360	0	0	0	0	15,360
	90-91	34,548	0	0	0	34	0	0	0	34,514	0	0	0	0	34,514
	92-93	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	94-95	487,614	0	0	0	175,974	0	0	0	311,640	0	0	0	0	311,640
	96-97	0	0	17,825	1,686,257	0	0	0	0	0	0	17,285	1,686,257	137,094	154,919
	T	574,309	0	17,825	1,686,257	178,055	0	0	0	396,254	0	17,825	1,686,257	137,094	551,173
TOTAL	86-87	101,288	0	0	0	8,646	0	0	0	92,642	0	0	0	0	92,642
	88-89	226,579	0	0	0	39,076	0	0	0	187,503	0	0	0	0	187,503
	90-91	1,373,650	0	0	0	56,638	0	0	0	1,317,012	0	0	0	0	1,317,012
	92-93	3,721,860	0	0	0	1,194,924	0	0	0	2,526,936	0	0	0	0	2,526,936
	94-95	56,401,791	0	0	0	7,797,237	0	0	0	48,604,554	0	0	0	0	48,604,554
	96-97	0	0	14,268,298	1,349,786,601	0	0	8,832,177	835,526,165	0	0	5,436,121	514,260,436	41,809,743	47,245,864
	T	61,825,168	0	14,268,298	1,349,786,601	9,096,521	0	8,832,177	835,526,165	52,728,647	0	5,436,121	514,260,436	41,809,743	99,974,511

Schedule 2.2

STATUS OF ADVANCES TO THE WORKING CAPITAL FUND AS AT 31 DECEMBER 1997
(In US dollars)

Member State	Scale of assessment (percentage)	Amount of advance	Collections 1986-1995	Adjustments in 1996-1997	Collections in 1996-1997	Amount outstanding to date
AFGHANISTAN	0.0100	675	900	(225)	-	-
ALBANIA	0.0100	675	900	(225)	-	-
ALGERIA	0.2200	14,850	15,300	(450)	-	-
ANGOLA	0.0100	675	900	(225)	-	-
ARGENTINA	0.6700	45,225	54,000	(8,775)	-	-
ARMENIA	0.0700	4,725	-	216	-	4,509
AUSTRALIA	2.0570	138,847	142,200	(3,353)	-	-
AUSTRIA	1.2100	81,675	71,100	527	10,048	-
AZERBAIJAN	0.1500	10,125	-	366	-	9,759
BAHAMAS	0.0300	2,025	1,800	225	-	-
BAHRAIN	0.0300	2,025	2,700	(675)	-	-
BANGLADESH	0.0100	675	900	(225)	-	-
BARBADOS	0.0100	675	900	(225)	-	-
BELARUS	0.3900	26,325	45,000	(18,675)	-	-
BELGIUM	1.4000	94,500	99,900	(5,400)	-	-
BELIZE	0.0100	675	900	(225)	-	-
BENIN	0.0100	675	900	(225)	-	-
BHUTAN	0.0100	675	900	(225)	-	-
BOLIVIA	0.0100	675	900	(225)	-	-
BOSNIA AND HERZEGOVINA	0.0100	675	-	67	-	308
BOTSWANA	0.0100	675	900	(225)	-	-
BRAZIL	2.2500	151,875	150,300	1,575	-	-
BULGARIA	0.1100	7,425	12,600	(5,175)	-	-
BURKINA FASO	0.0100	675	621	-	54	-
BURUNDI	0.0100	675	900	(225)	-	-
CAMBODIA	0.0100	675	-	-	675	-
CAMEROON	0.0100	675	900	(225)	-	-
CAPE VERDE	0.0100	675	900	(225)	-	-

Schedule 2.2

STATUS OF ADVANCES TO THE WORKING CAPITAL FUND AS AT 31 DECEMBER 1997
(In US dollars)

Member State	Scale of assessment (percentage)	Amount of advance	Collections 1986-1995	Adjustments in 1996-1997	Collections in 1996-1997	Amount outstanding to date
CENTRAL AFRICAN REPUBLIC	0.0100	675	900	(225)	-	-
CHAD	0.0100	675	-	17	-	658
CHILE	0.1100	7,425	7,200	(81)	306	-
CHINA	1.0300	69,525	72,900	(3,375)	-	-
COLOMBIA	0.1400	9,450	12,600	(3,150)	-	-
COMOROS	0.0100	675	8	17	-	650
CONGO	0.0100	675	900	(225)	-	-
COSTA RICA	0.0100	675	900	(225)	-	-
COTE D'IVOIRE	0.0100	675	1,800	(1,125)	-	-
CROATIA	0.1300	8,775	12,600	(3,825)	-	-
CUBA	0.0700	4,725	9,000	(4,275)	-	-
CYPRUS	0.0400	2,700	1,800	(115)	1,015	-
CZECH REPUBLIC	0.3500	23,625	39,601	(15,975)	-	-
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	0.0700	4,725	4,500	83	-	142
DEMOCRATIC REPUBLIC OF THE CONGO	0.0100	675	900	(225)	-	-
DENMARK	1.0000	67,500	61,200	189	6,111	-
DJIBOUTI	0.0100	675	900	(225)	-	-
DOMINICA	0.0100	675	900	(225)	-	-
DOMINICAN REPUBLIC	0.0100	675	64	33	-	578
ECUADOR	0.0300	2,025	2,700	(773)	98	-
EGYPT	0.1100	7,425	6,300	384	741	-
EL SALVADOR	0.0100	675	3	17	-	655
EQUATORIAL GUINEA	0.0100	675	8	17	-	650
ERITREA	0.0100	675	900	(225)	-	-
ETHIOPIA	0.0100	675	900	(225)	-	-
FIJI	0.0100	675	900	(225)	-	-

Schedule 2.2

STATUS OF ADVANCES TO THE WORKING CAPITAL FUND AS AT 31 DECEMBER 1997
(In US dollars)

Member State	Scale of assessment (percentage)	Amount of advance	Collections 1986-1995	Adjustments in 1996-1997	Collections in 1996-1997	Amount outstanding to date
FINLAND	0.8600	58,050	54,000	4,050	-	-
FRANCE	8.9200	602,100	566,100	972	35,028	-
GABON	0.0100	675	1,800	(1,125)	-	-
GAMBIA	0.0100	675	8	-	667	-
GEORGIA	0.1500	10,125	-	349	-	9,776
GERMANY	12.5900	849,825	843,300	1,485	5,040	-
GHANA	0.0100	675	900	(225)	-	-
GREECE	0.5300	35,775	33,300	122	2,353	-
GRENADA	0.0100	675	900	(225)	-	-
GUATEMALA	0.0300	2,025	1,800	33	-	192
GUINEA	0.0100	675	900	(225)	-	-
GUINEA-BISSAU	0.0100	675	900	(225)	-	-
GUYANA	0.0100	675	900	(225)	-	-
HAITI	0.0100	675	900	(225)	-	-
HONDURAS	0.0100	675	900	(225)	-	-
HUNGARY	0.1900	12,825	17,101	(4,275)	-	-
INDIA	0.4300	29,025	34,200	(5,175)	-	-
INDONESIA	0.1900	12,825	15,301	(2,475)	-	-
IRAN (ISLAMIC REPUBLIC OF)	0.6300	42,525	72,900	(30,375)	-	-
IRAQ	0.1900	12,825	11,057	216	-	1,553
IRELAND	0.2900	19,575	17,100	(128)	2,603	-
ISRAEL	0.3800	25,650	21,601	1,066	2,984	-
ITALY	7.3000	492,750	405,000	18,634	69,116	-
JAMAICA	0.0100	675	900	(225)	-	-
JAPAN	21.7500	1,468,125	1,175,400	20,061	272,664	-
JORDAN	0.0100	675	900	(225)	-	-

Schedule 2.2

STATUS OF ADVANCES TO THE WORKING CAPITAL FUND AS AT 31 DECEMBER 1997

(In US dollars)

Member State	Scale of assessment (percentage)	Amount of advance	Collections 1986-1995	Adjustments in 1996-1997	Collections in 1996-1997	Amount outstanding to date
KENYA	0.0100	675	900	(225)	-	-
KUWAIT	0.2600	17,550	23,400	(5,850)	-	-
KYRGYZSTAN	0.0400	2,700	-	100	-	2,600
LAO PEOPLE'S DEMOCRATIC REPUBLIC	0.0100	675	900	(225)	-	-
LEBANON	0.0100	675	900	(225)	-	-
LESOTHO	0.0100	675	900	(225)	-	-
LIBERIA	0.0100	675	900	(225)	-	-
LIBYAN ARAB JAMAHIRIYA	0.2800	18,900	22,501	(3,600)	-	-
LITHUANIA	0.1100	7,425	14,400	(6,975)	-	-
LUXEMBOURG	0.1000	6,750	5,400	182	1,168	-
MADAGASCAR	0.0100	675	900	(225)	-	-
MALAWI	0.0100	675	900	(225)	-	-
MALAYSIA	0.1900	12,825	11,701	(241)	1,366	-
MALDIVES	0.0100	675	900	(225)	-	-
MALI	0.0100	675	900	(225)	-	-
MALTA	0.0100	675	900	(225)	-	-
MAURITANIA	0.0100	675	900	(225)	-	-
MAURITIUS	0.0100	675	900	(225)	-	-
MEXICO	1.1000	74,250	82,800	(8,550)	-	-
MONGOLIA	0.0100	675	900	(225)	-	-
MOROCCO	0.0400	2,700	2,700	(115)	115	-
MOZAMBIQUE	0.0100	675	900	(225)	-	-
MYANMAR	0.0100	675	900	(225)	-	-
NAMIBIA	0.0100	675	900	(225)	-	-
NEPAL	0.0100	675	900	(225)	-	-
NETHERLANDS	2.2100	149,175	141,300	243	7,632	-

Schedule 2.2

STATUS OF ADVANCES TO THE WORKING CAPITAL FUND AS AT 31 DECEMBER 1997
(In US dollars)

Member State	Scale of assessment (percentage)	Amount of advance	Collections 1986-1995	Adjustments in 1996-1997	Collections in 1996-1997	Amount outstanding to date
NEW ZEALAND	0.3300	22,275	22,500	(243)	18	-
NICARAGUA	0.0100	675	21	17	-	637
NIGER	0.0100	675	900	(225)	-	-
NIGERIA	0.1500	10,125	18,901	(8,775)	-	-
NORWAY	0.7800	52,650	52,200	115	335	-
OMAN	0.0600	4,050	2,700	297	1,053	-
PAKISTAN	0.0800	5,400	5,400	(229)	229	-
PANAMA	0.0100	675	1,800	(1,125)	-	-
PAPUA NEW GUINEA	0.0100	675	900	(225)	-	-
PARAGUAY	0.0100	675	1,800	(1,125)	-	-
PERU	0.0800	5,400	5,400	(229)	229	-
PHILIPPINES	0.0800	5,400	6,300	(900)	-	-
POLAND	0.4600	31,050	44,100	(13,050)	-	-
PORTUGAL	0.3900	26,325	18,901	527	6,898	-
QATAR	0.0600	4,050	4,500	(450)	-	-
REPUBLIC OF KOREA	1.1400	76,950	64,800	257	11,893	-
REPUBLIC OF MOLDOVA	0.1100	7,425	-	(547)	7,972	-
ROMANIA	0.2100	14,175	16,200	(2,025)	-	-
RUSSIAN FEDERATION	5.9300	400,275	633,600	(233,325)	-	-
RWANDA	0.0100	675	900	(225)	-	-
SAINT KITTS AND NEVIS	0.0100	675	900	(225)	-	-
SAINT LUCIA	0.0100	675	900	(225)	-	-
SAINT VINCENT AND THE GRENADINES	0.0100	675	900	(225)	-	-
SAO TOME AND PRINCIPE	0.0100	675	8	17	-	650
SAUDI ARABIA	0.9900	66,825	90,900	(24,075)	-	-
SENEGAL	0.0100	675	900	(225)	-	-

Schedule 2.2

STATUS OF ADVANCES TO THE WORKING CAPITAL FUND AS AT 31 DECEMBER 1997

(In US dollars)

Member State	Scale of assessment (percentage)	Amount of advance	Collections 1986-1995	Adjustments in 1996-1997	Collections in 1996-1997	Amount outstanding to date
SEYCHELLES	0.0100	675	900	(225)	-	-
SIERRA LEONE	0.0100	675	900	(225)	-	-
SLOVAKIA	0.1100	7,425	12,601	(5,175)	-	-
SLOVENIA	0.1000	6,750	9,000	(2,250)	-	-
SOMALIA	0.0100	675	11	12	-	642
SPAIN	3.3100	223,425	187,200	1,782	34,443	-
SRI LANKA	0.0100	675	900	(225)	-	-
SUDAN	0.0100	675	900	(225)	-	-
SURINAME	0.0100	675	900	(225)	-	-
SWAZILAND	0.0100	675	900	(225)	-	-
SWEDEN	1.7100	115,425	104,400	263	10,762	-
SWITZERLAND	1.6800	113,400	109,800	(115)	3,715	-
SYRIAN ARAB REPUBLIC	0.0700	4,725	3,600	34	1,091	-
TAJIKISTAN	0.0300	2,025	-	83	-	1,942
THAILAND	0.1800	12,150	10,800	(47)	1,397	-
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA	0.0100	675	1,800	(1,125)	-	-
TOGO	0.0100	675	900	(225)	-	-
TONGA	0.0100	675	900	(225)	-	-
TRINIDAD AND TOBAGO	0.0400	2,700	4,500	(1,800)	-	-
TUNISIA	0.0400	2,700	2,700	(115)	115	-
TURKEY	0.5300	35,775	25,200	449	10,126	-
TURKMENISTAN	0.0400	2,700	-	-	-	2,700
UGANDA	0.0100	675	900	(225)	-	-
UKRAINE	1.5200	102,600	176,400	(73,800)	-	-
UNITED ARAB EMIRATES	0.2600	17,550	19,800	(2,250)	-	-
UNITED KINGDOM	7.3900	498,825	473,400	189	25,236	-
UNITED REPUBLIC OF TANZANIA	0.0100	675	900	(225)	-	-

Schedule 2.2

STATUS OF ADVANCES TO THE WORKING CAPITAL FUND AS AT 31 DECEMBER 1997
(In US dollars)

Member State	Scale of assessment (percentage)	Amount of advance	Collections 1986-1995	Adjustments in 1996-1997	Collections in 1996-1997	Amount outstanding to date
URUGUAY	0.0600	4,050	3,600	450	-	-
UZBEKISTAN	0.1800	12,150	23,400	(11,250)	-	-
VANUATU	0.0100	675	900	(225)	-	-
VENEZUELA	0.4600	31,050	45.900	(14,850)	-	-
VIET NAM	0.0100	675	900	(225)	-	-
YEMEN	0.0100	675	900	(225)	-	-
YUGOSLAVIA a/	0.1400	9,450	13,500	(4,050)	-	-
ZAMBIA	0.0100	675	900	(225)	-	-
ZIMBABWE	0.0100	675	900	(225)	-	-
Sub-total (168 States)	**99.9970**	**6,749,797**	**6,682,618**	**(507,018)**	**535,296**	**38,901**
UNITED STATES OF AMERICA	0.0000	-	2,250,000	(2,250,000)	-	
Sub-total (1 State)		**-**	**2,250,000**	**(2,250,000)**	**-**	**-**
KAZAKHSTAN	0.1900	12,825	-			12,825
Sub-total (1 State)	**0.1900**	**12,825**	**-**			**12,825**
TOTAL (169 States)	**100.1870**	**6,762,622**	**8,932,618**	**(2,757,018)**	**535,296**	**51,726**

a/ In accordance with General Conference resolution GC/S.1/Res.1, the Federal Republic of Yugoslavia (Serbia and Montenegro) cannot continue automatically the membership of the former Socialist Federal Republic of Yugoslavia in UNIDO. Subject to any amendment to the United Nations scale of assessments approved by the United Nations General Assembly, this rate will apply to the Federal Republic of Yugoslavia (Serbia and Montenegro) should it apply for membership in UNIDO and be accepted.

I NDUSTRIAL DEVELOPMENT FUND

UNIDF/IDF statement of pledges and receipts, as at 31 December 1997

(IN US DOLLARS)

Country / organization	Unpaid balances/ advances by donors brought forward from UNIDF 1.1.86	Adjust-ments to prior pledges	IDF firm pledges for 1986-1995	1996	1997	1998 and future years	Collections in 1986-1996	1997	a/ Exchange adjust-ments	Unpaid balance	Advances by donors
			General-purpose convertible								
Afghanistan	1,500	0	3,000	0	0	0	4,500	0	0	0	0
Algeria	0	0	25,000	0	0	0	25,000	0	0	0	0
Angola	10,000	0	20,000	0	0	0	30,000	0	0	0	0
Argentina	0	150,000	0	0	0	0	149,990	0	10	0	0
Austria	0	0	1,339,861	198,020	190,240	0	1,574,095	185,047	(31,021)	0	0
Bahrain	5,000	0	0	0	0	0	5,000	0	0	0	0
Bangladesh	0	0	25,013	2,437	2,420	2,420	22,560	2,437	34	7,259	0
Barbados	0	0	20,000	0	0	0	20,000	0	0	0	0
Bhutan	1,320	0	1,450	0	0	0	2,770	0	0	0	0
Bolivia	2,000	0	17,313	0	0	0	14,313	0	0	5,000	0
Brazil	15,000	0	15,000	0	0	0	30,000	0	0	0	0
Burkina Faso	0	0	13,594	0	0	0	13,594	0	0	0	0
Cameroon	0	0	2,985	0	0	0	0	0	1,287	1,698	0
Chile	0	0	40,000	0	0	0	30,000	0	0	10,000	0
Colombia	1,425	40	40,160	0	0	0	41,416	0	0	209	0
Congo	11,426	0	0	0	0	0	3,400	0	76	7,950	0
Costa Rica	8,080	0	20,000	0	0	0	27,635	0	0	445	0
Cyprus	0	0	4,187	0	0	0	4,496	0	(309)	0	0
Czechoslovakia	0	0	65,501	0	0	0	65,501	0	0	0	0
Czech Republic	0	0	75,000	0	0	0	75,000	0	0	0	0
Democratic Peoples Republic of Korea	0	0	65,577	0	0	0	64,966	0	611	0	0
Dominica	0	0	3,852	0	0	0	3,840	0	12	0	0
Ecuador	5,440	0	56,235	0	0	0	49,835	0	0	11,840	0
Egypt	0	0	2,000	0	0	0	2,000	0	0	0	0
Ethiopia	0	0	2,124	0	0	0	1,111	0	0	1,013	0
Fiji	0	0	1,009	0	0	0	0	0	256	753	0
Germany	0	0	18,736	0	0	0	18,736	0	0	0	0
Ghana	0	0	5,000	0	0	0	0	0	0	5,000	0
Greece	36,000	0	0	0	0	0	36,000	0	0	- 0	0
Grenada	0	0	5,000	0	0	0	0	0	0	5,000	0
Guatemala	0	0	32,422	0	0	0	5,000	0	7,277	20,145	0

Country / organization	Unpaid balances/ advances by donors brought forward from UNIDF 1.1.86	Adjust-ments to prior pledges	IDF firm pledges for 1986-1995	1996	1997	1998 and future years	Collections in 1986-1996	1997 a/	Exchange adjust-ments	Unpaid balance	Advances by donors
			General-purpose convertible (continued)								
Guinea	0	(108,600)	0	0	0	0	(108,600)	0	0	0	0
Guyana	723	509	7,208	0	0	0	4,000	0	660	3,780	0
Haiti	0	0	5,000	0	0	0	5,000	0	0	0	0
Honduras	0	0	15,597	0	0	0	14,968	0	629	0	0
Hungary	0	0	134,087	0	0	0	151,088	(26,933)	9,932	0	0
India	500,000	0	2,500,000	250,000	150,000	0	3,250,000	150,000	0	0	0
Indonesia	0	0	80,000	10,000	10,000	0	90,000	10,000	0	0	0
Iraq	161,291	0	0	0	0	0	0	0	0	161,291	0
Italy	0	0	1,500,000	300,000	0	0	1,800,000	0	0	0	0
Jamaica	4,000	0	8,000	0	0	0	12,000	0	0	0	0
Kenya	10,000	0	32,994	0	0	0	10,348	0	23,389	9,257	0
Kuwait	0	0	150,000	0	0	0	0	0	0	150,000	0
Lao People's Democratic Republic	1,500	0	1,500	0	0	0	1,500	0	0	1,500	0
Lesotho	0	1,308	6,211	0	0	0	7,360	0	159	0	0
Luxembourg	0	0	75,665	0	0	0	77,914	0	(2,249)	0	0
Madagascar	0	0	6,431	0	0	0	4,989	0	1,442	0	0
Malawi	0	0	7,166	0	0	0	5,097	0	1,827	242	0
Malaysia	450	0	200,000	20,000	20,000	0	220,450	20,000	0	0	0
Mali	2,611	0	0	0	0	0	0	0	914	1,697	0
Malta	0	0	800	0	0	0	400	0	0	400	0
Mauritius	0	0	19,958	3,935	4,500	0	23,786	4,500	107	0	0
Mexico	0	4,503	15,000	0	0	0	19,503	0	0	0	0
Mongolia	0	0	13,473	0	0	0	12,274	0	1,199	0	0
Morocco	5,038	5,010	5,000	0	0	0	13,421	0	1,627	0	0
Mozambique	4,925	0	5,063	0	0	0	5,563	0	4,425	0	0
Myanmar	0	0	6,040	0	0	0	5,998	0	42	0	0
Namibia	0	0	0	22,277	0	0	22,277	0		0	0
Nepal	0	0	4,900	0	0	0	4,900	0	0	0	0
Netherlands	0	0	657,895	0	0	0	673,975	0	(16,080)	0	0
Nicaragua	0	0	2,350	0	0	0	2,350	0	0	0	0
Nigeria	50,000	0	0	0	0	0	0	0	0	50,000	0
Oman	12,000	0	12,000	0	0	0	12,000	0	0	12,000	0
Pakistan	0	0	48,933	0	0	0	48,933	0	0	0	0
Panama	0	0	6,000	0	0	0	2,000	0	0	4,000	0
Papua New Guinea	0	0	12,871	0	0	0	14,773	0	(1,902)	0	0
Paraguay	30,000	0	0	0	0	0	24,000	0	0	6,000	0
Peru	25,000	0	0	0	0	0	5,000	0	0	20,000	0

Country / organization	Unpaid balances/ advances by donors brought forward from UNIDF 1.1.86	Adjust-ments to prior pledges	IDF firm pledges for 1986-1995	1996	1997	1998 and future years	Collections in 1986-1996	1997	a/ Exchange adjust-ments	Unpaid balance	Advances by donors
			General-purpose convertible (continued)								
Philippines	6,006	0	45,265	10,000	0	0	61,271	0	0	0	0
Portugal	0	0	30,000	0	0	0	30,000	0	0	0	0
Republic of Korea	0	0	226,000	0	0	0	226,000	0	0	0	0
Romania	0	0	7,528	0	0	0	6,870	0	658	0	0
Rwanda	0	0	20,000	0	0	0	20,000	0	0	0	0
Saint Vincent and the Grenadines	0	0	1,500	0	0	0	1,500	0	0	0	0
Saudi Arabia	0	0	3,000,000	0	0	0	3,000,000	0	0	0	0
Senegal	29,113	0	4,000	0	0	0	33,113	0	0	0	0
Sierra Leone	94	3,184	5,891	0	0	0	9,167	0	2	0	0
Somalia	2,467	0	0	0	0	0	0	0	67	2,400	0
Spain	0	0	0	19,602	0	0	19,602	0	0	0	0
Sri Lanka	0	0	32,664	0	0	0	32,628	0	36	0	0
Sudan	102,712	0	0	0	0	0	35,180	0	0	67,532	0
Suriname	2,000	0	0	0	0	0	0	0	0	2,000	0
Swaziland	1,532	1,802	8,591	0	0	0	10,931	0	171	823	0
Syrian Arab Republic	0	5,372	16,591	1,617	1,545	0	22,987	1,545	593	0	0
Thailand	0	0	221,168	23,500	0	0	244,736	0	(68)	0	0
Togo	3,916	0	6,514	0	0	0	9,346	0	235	849	0
Trinidad and Tobago	0	8,375	50,329	0	0	0	60,379	0	(1,675)	0	0
Tunisia	0	0	113,961	0	0	0	111,274	0	2,687	0	0
Uganda	1,000	1,000	9,000	0	0	0	2,000	0	0	9,000	0
United Republic of Tanzania	0	0	4,437	0	0	0	3,516	0	901	20	0
Venezuela	0	0	11,467	0	0	0	11,467	0	0	0	0
Viet Nam	1,000	0	0	0	0	0	1,000	0	0	0	0
Yemen	0	0	14,400	2,000	2,000	0	4,007	0	(7)	14,400	0
Zaire	3,000	0	113,000	0	0	0	0	0	0	116,000	0
Zambia	517	0	24,735	0	0	0	21,745	0	3,507	0	0
Zimbabwe	0	8,075	57,639	0	0	0	60,419	0	3,916	1,379	0
Organizations											
King Abdulaziz City for Science and Technology, Saudi Arabia	0	0	32,760	0	0	0	29,868	0	0	2,892	0
S.G.des Eaux Minerales de Vittel, France	0	0	3,108	0	0	0	3,108	0	0	0	0
Computech Engineering Services Inc., USA	0	0	30,000	0	0	0	30,000	0	0	0	0
Cooperation Council for the Arab States of the Gulf (GCC)	0	0	11,587	0	0	0	0	0	0	11,587	0
Cordecruz, Bolivia	0	0	22,017	0	0	0	22,017	0	0	0	0
Total	1,058,086	80,578	11,584,313	863,388	380,705	2,420	12,882,156	346,596	15,377	725,361	0

Country / organization	Unpaid balances/ advances by donors brought forward from UNIDF 1.1.86	Adjust-ments to prior pledges	IDF firm pledges for 1986-1995	1996	1997	1998 and future years	Collections in 1986-1996	1997	a/ Exchange adjust-ments	Unpaid balance	Advances by donors
					Special-purpose convertible						
Australia	(68,815)	0	281,727	0	12,656	14,464	206,590	0	0	33,442	0
Austria	(121,788)	0	12,141,239	2,280,660	4,227,895	4,439,670	17,881,244	3,596,868	0	1,489,564	0
Bahrain	0	0	0	116,094	573,791	123,114	300,000	359,100	0	153,899	0
Belgium	(480,520)	0	6,318,285	811,740	1,301,891	779,269	7,584,946	462,103	0	683,616	0
Brazil	0	0	226,099	0	0	0	256,000	0	0	0	(29,901)
Bulgaria	0	0	3,333	0	0	0	3,333	0	0	0	0
China	(289,639)	0	2,834,884	171,469	598,080	82,777	3,328,571	367,426	0	0	(298,426)
Costa Rica	0	0	169,338	62,999	73,460	3,526	164,382	144,945	0	0	(4)
Côte d'Ivoire	108,765	0	0	0	0	0	0	0	0	108,765	0
Czech Republic (Ministry of Foreign Affairs)	0	0	0	127,514	258,779	194	284,625	106,523	0	0	(4,661)
Czech Republic (Ministry of Trade and Industry)	0	0	0	0	42,409	0	0	42,422	0	0	(13)
Democratic People's Rep. of Korea	0	0	80,128	211,225	40,545	0	229,924	9,662	0	92,312	0
Denmark	0	0	5,840,046	194,146	549,744	574,382	7,207,316	381,818	0	0	(430,816)
Egypt	(190,693)	0	292,611	0	0	0	0	0	0	101,718	0
Finland	(259,801)	0	3,231,727	47,640	37,949	0	3,157,347	0	0	0	(99,832)
France (Ministere d'Agriculture)	0	0	5,138,532	284,384	1,415,071	1,103,080	5,834,441	0	0	2,106,626	0
France (Ministere des Affaires Etrangeres)	(817,302)	0	22,595,355	1,437,668	1,525,084	114,576	21,327,528	388,082	0	3,139,791	0
Germany	(1,807,841)	0	43,704,350	3,658,927	5,228,593	5,497,420	48,921,443	2,908,728	0	4,451,278	0
Greece	0	0	835,909	406,156	692,498	548,980	1,400,548	536,950	0	546,045	0
Hungary	5,597	0	(617)	0	46,737	0	4,980	176,112	0	0	(129,375)
India	79,685	0	2,628,371	891,656	895,084	33,383	3,650,000	738,650	0	139,529	0
Iran, Islamic Republic of	0	0	375,333	0	0	0	373,268	0	0	2,065	0
Ireland	0	0	0	0	0	0	0	60,000	0	0	(60,000)
Italy	(597,640)	0	53,817,471	3,407,861	3,761,732	3,522,024	59,700,141	0	0	4,211,307	0
Japan	(662,483)	0	24,886,321	3,955,095	4,517,203	1,998,178	31,858,565	3,257,863	0	0	(422,114)
Malta	31,628	0	(31,628)	0	0	0	0	0	0	0	0
Netherlands	(292,528)	0	4,136,667	1,353,075	1,688,860	2,630,879	6,825,722	1,080,427	0	1,610,804	0
New Zealand	0	0	30,045	8,058	46,897	0	85,000	0	0	0	0
Norway	(282)	0	2,001,447	222,172	492,251	69,059	2,767,655	75,064	0	0	(58,072)
Poland	0	0	275,012	100,448	160,003	131,668	404,721	130,000	0	132,410	0
Portugal (Institute for Portuguese Cooperation)	0	0	0	0	155,965	323,295	173,866	0	0	305,394	0
Portugal (Multilateral Cooperation)	0	0	0	0	0	0	123,850	237,930		0	(361,780)
Republic of Korea	0	0	1,855,267	(9,334)	158,667	0	2,280,994	408,667	0	0	(685,061)

Country / organization	Unpaid balances/ advances by donors brought forward from UNIDF 1.1.86	Adjust-ments to prior pledges	IDF firm pledges for 1986-1995	1996	1997	1998 and future years	Collections in 1986-1996	1997	Exchange adjust-ments	Unpaid balance	Advances by donors
					Special-purpose convertible (continued)						
Romania	0	0	0	0	0	0	2,381	0	0	0	(2,381)
Saudi Arabia	0	0	1,487,269	93,055	165,757	427,234	2,528,413	117,587	0	0	(472,685)
Slovakia	0	0	0	0	15,600	0	34,499	0	0	0	(18,899)
Spain	(38,245)	0	66,446	0	0	0	28,201	0	0	0	0
Sweden	72,067	0	1,356,777	4	0	0	1,218,394	0	0	210,454	0
Switzerland	(1,608,536)	0	17,619,052	2,336,105	3,463,749	2,575,955	20,995,824	3,014,986	0	375,515	0
Thailand	0	0	0	0	0	0	0	100,000	0	0	(100,000)
Turkey	0	0	180,119	168,170	9,317	0	344,461	13,144	0	1	0
United Kingdom	(150,310)	0	6,928,576	36,212	4,957	0	6,681,493	(4,031)	0	141,973	0
Venezuela	0	0	217,984	0	0	0	193,714	0	0	24,270	0
Yemen	(2,474)	0	1,249	0	0	0	(1,225)	0	0	0	0
Yugoslavia b/	(1,041)	0	0	0	0	0	(1,041)	0	0	0	0
Multi-donor projects	0	0	(81,603)	93,425	(11,811)	1	0	0	0	12	0
Organizations											
Arab Industrial Development and Mining Organization	(19,877)	0	86,979	0	0	0	67,030	0	0	72	0
African Institute for Higher Technology Training and Research, Kenya	1,253	0	(5,564)	0	0	0	(4,311)	0	0	0	0
Agence de Cooperation Culturelle et Technique (ACCT), Paris		0	241,445	60,172	52,275	0	354,900	0	0	0	(1,008)
Agence Wallonne a l'Exportation, Brussels		0	231,833	149,441	185,730	231,896	491,038	84,936	0	222,926	0
Banque Ouest Africaine de Developpement (BOAD), Togo	0	0	2,800	0	0	0	2,800	0	0	0	0
Caritas, Vienna	0	0	27,855	0	0	0	27,855	0	0	0	0
Chiyoda Corporation	0	0	99,598	0	0	0	99,598	0	0	0	0
Common Fund for Commodities (CFC)	0	0	0	0	637,381	1,828,586	0	150,000	0	2,315,967	0
Convention to Combat Desertification(INCD)	0	0	39,094	0	0	0	39,099	0	0	0	(5)
Corporacion Andina de Fomento (CAF)	0	0	597,477	0	0	0	627,918	0	0	0	(30,441)
Egyptian Iron and Steel Co.	(10,576)	0	5,863	0	0	0	(4,713)	0	0	0	0
Gaz de France, Paris	0	0	17,967	0	0	0	17,967	0	0	0	0
Instituto Tecnologico y de Estudios Superiores de Monterrey		0	47,196	(2,461)	1,757	0	50,000	0	0	0	(3,508)
Inverni della Beffa, Italy	0	0	27,950	0	0	0	27,971	0	0	0	(21)
Kuwait Institute for Higher Technical Training and Research	(48,229)	0	74,665	0	0	0	0	0	0	26,436	0
Montreal Protocol Fund	0	0	22,133,059	28,256,877	44,779,729	57,203,448	98,936,329	30,063,671	0	23,373,113	0

Country / organization	Unpaid balances/ advances by donors brought forward from UNIDF 1.1.86	Adjust-ments to prior pledges	IDF firm pledges for 1986-1995	1996	1997	1998 and future years	Collections in a/ 1986-1996	1997	Exchange adjust-ments	Unpaid balance	Advances by donors
S.G.des Eaux Minerales de Vittel, France	0	0	23,351	0	0	0	29,987	0	0	0	(6,636)
Nobel Chemistry, Sweden	0	0	9,040	0	0	0	9,040	0	0	0	0
Apple Computer, USA	0	0	27,531	0	0	0	27,531	0	0	0	0
Saudi Consulting House, Saudi Arabia	0	0	11,412	0	0	0	11,412	0	0	0	0
UNDCP	0	0	4,818,111	(130,143)	0	0	4,745,700	(65,679)	0	7,947	0
Total	(7,169,825)	0	249,960,783	50,800,530	77,806,285	84,257,056	363,919,265	48,943,954	0	46,007,251	(3,215,639)
				Non-covertible							
Bulgaria	(222,203)	0	408,603	0	0	0	455,892	0	0	0	(269,492)
China	(54,661)	0	508,949	51,893	3,033	15,000	816,089	(2,888)	0	0	(288,987)
Cuba	(219,864)	0	235,460	0	0	0	271,185	42,000	0	0	(297,589)
Czech Republic (Ministry of Foreign Affairs)	(78)	0	3,208,233	403,846	379,531	0	3,632,817	376,712	0	0	(17,997)
Egypt	21,793	0	34,894	0	0	0	72,492	0	0	0	(15,805)
Hungary	(1,360)	0	1,222,288	43,209	176,994	0	1,731,266	(43,876)	0	0	(246,259)
India	(399,558)	0	3,298,767	124,095	403,075	183,916	5,013,645	289,553	0	0	(1,692,903)
Iran (Islamic Rep. of)	0	0	56,667	0	0	0	66,667	0	0	0	(10,000)
Mongolia	(15,925)	0	0	0	0	0	(128)	0	0	0	(15,797)
Pakistan	(98,888)	0	98,520	0	0	0	76,046	0	0	0	(76,414)
Poland	(26,495)	0	1,953,801	266,712	362,417	350,958	2,547,183	325,492	0	34,718	0
Romania	(2,471)	0	144,495	0	0	0	195,895	0	0	0	(53,871)
Russian Federation	(402,605)	0	4,773,429	0	0	0	5,342,774	0	0	0	(971,950)
Slovakia	0	0	0	184,393	762	0	267,020	0	0	0	(81,865)
Turkey	(2,258)	0	1,661,002	79,149	58,811	0	2,279,464	79,118	0	0	(561,878)
Yugoslavia b/	(57,228)	0	273,760	0	0	0	703,819	0	0	0	(487,287)
Organizations											
Egyptian Iron and Steel Co.	(26,747)	0	(5,195)	0	0	0	0	0	0	0	(31,942)
Technology Information, Forecasting and Assessment Council (TIFAC), New Delhi	0	0	3,205	0	(388)	0	3,205	0	0	0	(388)
Total non-convertible	(1,508,548)	0	17,676,898	1,153,297	1,384,235	549,874	23,475,331	1,066,111	0	34,718	(5,120,404)
Grand total - IDF	(7,620,287)	80,578	279,421,994	52,817,215	79,571,225	84,809,352	400,276,752	50,356,661	15,377	46,767,330	(8,336,043)

a/ Negative amounts denote repayments to donors.

b/ Concerning Yugoslavia, see resolution GC/S.1/Res.1 adopted by the General Conference at its first special session.

GENERAL FUND and WORKING CAPITAL FUND **Statement III**

Statement of cash flow for the biennium 1996-1997 as at 31 December 1997

(In thousands of United States dollars)

		Total 1997	Total 1995
Cash flows from operating activities			
Net excess (shortfall) of income over expenditure (Statement I)		37,806.5	31,405.8
(Increase) decrease in contributions receivable		(18,277.0)	(41,669.3)
(Increase) decrease other accounts receivable		4,526.6	(5,744.4)
Increase (decrease) in contributions or payments received in advance		(802.0)	1,432.1
Increase (decrease) in unliquidated obligations		(8,593.4)	5,869.1
Increase (decrease) in accounts payable		(138.6)	(1,455.6)
Increase (decrease) in other funds and special accounts		(950.5)	950.5
Less: Interest income	1,247.0		
Currency exchange adjustments	(2,520.5)	(1,273.5)	5,387.6
Net cash from operating activities		14,845.1	14,599.7
Cash flows from investing and financing activities			
Increase (decrease) in interfund balances		(1,296.8)	2,314.0
Increase (decrease) in borrowings		(2,000.0)	(2,000.0)
Plus Interest income	1,247.0		
Currency exchange adjusments	(2,520.5)	(1,273.5)	5,387.9
Net cash from investing and financing activities		(4,570.3)	5,701.9
Cash flows from other sources			
Savings on or cancellation of prior period's obligations		3,879.3	3,675.2
Transfers to (from) reserves		(6,897.3)	8,755.6
Transfers (to) from other funds			
Increase (decrease) of credits to Member States		(7,663.6)	(6,633.8)
Net cash from other sources		(10,681.6)	5,797.0
Net increase (decrease) in cash		(406.8)	(3,100.8)
Cash at beginning of period		13,915.9	17,016.7
Cash at end of period (Statement II)		13,509.1	13,915.9

Statement IV

GENERAL FUND

Status of appropriations by major programme for the biennium 1996-1997 as at 31 December 1997 (note 2(a)(i))

(In thousands of United States dollars)

Major Programme	Original appropriation	Transfers/ other adjustments	Revised appropriation	Disbursements during the biennium	Unliquidated obligations as at 31/12/97	Total expenditure	Balance of appropriations
Policy-making Organs	7,347.8	993.6	8,341.4	5,769.0	1,195.6	6,964.6	1,376.8
General Management	11,873.9	5,149.1	17,023.0	14,409.3	295.7	14,705.0	2,318.0
Country Programmes and Funds Mobilization	25,677.6	(1,228.5)	24,449.1	17,528.8	523.8	18,052.6	6,396.5
Research and Publications	15,796.4	(1,678.3)	14,118.1	10,699.4	229.9	10,929.3	3,188.8
Human Resource, Enterprise and Private		0.0	0.0	0.0	0.0	0.0	0.0
Sector Development	12,052.6	2,375.2	14,427.8	11,141.5	107.8	11,249.3	3,178.5
Industrial Sectors and Environment	19,368.7	2,442.3	21,811.0	15,784.4	147.3	15,931.7	5,879.3
Investment and Technology Promotion	13,265.8	5,297.8	18,563.6	15,545.6	349.3	15,894.9	2,668.7
Common Programmes	18,069.7	1,789.5	19,859.2	12,104.6	3,306.5	15,411.1	4,448.1
Joint and Common Services	49,983.9	6,754.7	56,738.6	39,894.7	5,150.8	45,045.5	11,693.1
Administration	36,810.2	4,907.6	41,717.8	34,383.8	2,626.2	37,010.0	4,707.8
Total A	210,246.6	26,803.0	237,049.6	177,261.1	13,932.9	191,194.0	45,855.6
	Approved estimates			**Actual income**	**Accrued income**	**Total income**	**(Excess) shortfall**
Income		0.0	0.0	0.0	0.0		
Joint and Common Services	26,986.5	3,705.7	30,692.2	22,721.9	2,247.9	24,969.8	5,722.4
Administration	755.2	104.4	859.6	980.3	0.0	980.3	(120.7)
Miscellaneous Income		0.0	0.0	0.0	0.0	0.0	0.0
(i) Estimated in GC.6/Dec.11	1,605.4	130.2	1,735.6	1,445.1	0.0	1,445.1	290.5
(ii) Not estimated in GC.6/Dec.11		0.0	0.0	(589.9)	0.0	(589.9)	589.9
Total B	29,347.1	3,940.3	33,287.4	24,557.4	2,247.9	26,805.3	6,482.1
Total A-B	180,899.5	22,862.7	203,762.2	152,703.7	11,685.0	164,388.7	39,373.5

GENERAL FUND

Status of appropriations by major object of expenditure for the biennium 1996-1997 as at 31 December 1997 (note 2(a)(i))

(In thousands of United States dollars)

Major object of expenditure	Original appropriation	Transfers/ other adjustments	Revised appropriation	Disbursements	Unliquidated obligations as at 31/12/97	Total expenditure	Balance of appropriations
Salaries and common staff costs	135,855.3	17,166.2	153,021.5	122,069.5	3,009.5	125,079.0	27,942.5
Travel on official business	3,760.8	348.1	4,108.9	2,022.0	158.5	2,180.5	1,928.4
Contractual services	733.0	73.8	806.8	661.1	72.3	733.4	73.4
General operating expenses	27,204.8	3,760.7	30,965.5	21,772.3	4,255.9	26,028.2	4,937.3
Supplies and materials	860.0	111.4	971.4	363.1	291.8	654.9	316.5
Acquisition of furniture and equipment	1,314.2	173.0	1,487.2	393.7	652.8	1,046.5	440.7
Technical cooperation	10,857.3	1,356.7	12,214.0	7,893.6	2,391.3	10,284.9	1,929.1
EDP non-staff costs	5,567.6	747.7	6,315.3	4,763.4	86.3	4,849.7	1,465.6
Other expenditures	24,093.6	3,065.4	27,159.0	17,322.4	3,014.5	20,336.9	6,822.1
Total A	210,246.6	26,803.0	237,049.6	177,261.1	13,932.9	191,194.0	45,855.6
Income	**Approved estimates**			**Actual income**	**Accrued income**	**Total income**	**(Excess) shortfall**
Salaries and common staff costs	11,080.6	1,481.2	12,561.8	9,972.6	(608.8)	9,363.8	3,198.0
Travel on official business	6.3	0.6	6.9	0.5	0.2	0.7	6.2
General operating expenses	15,866.5	2,225.1	18,091.6	13,459.9	2,511.8	15,971.7	2,119.9
Supplies and materials	233.2	30.0	263.2	88.8	64.1	152.9	110.3
Acquisition of furniture and equipment	539.1	70.9	610.0	176.7	280.6	457.3	152.7
EDP non-staff costs	0.7	0.1	0.8		0.0	0.0	0.8
Other expenditure	15.3	2.2	17.5	3.7		3.7	13.8
Total B	27,741.7	3,810.1	31,551.8	23,702.2	2,247.9	25,950.1	5,601.7
Miscellaneous income							
(i) Estimated in GC.6/Dec.11	1,605.4	130.2	1,735.6	1,445.1		1,445.1	290.5
(ii) Not estimated in GC.6/Dec.11				(589.9)		(589.9)	589.9
Total C	1,605.4	130.2	1,735.6	855.2		855.2	880.4
Total A-B-C	180,899.5	22,862.7	203,762.2	152,703.7	11,685.0	164,388.7	39,373.5

Annex III

NOTES TO THE FINANCIAL STATEMENTS

Preface

UNIDO MISSION STATEMENT

UNIDO is the specialist agency of the United Nations dedicated to promoting sustainable industrial development in countries with developing and transition economies.

UNIDO harnesses the joint forces of government and the private sector to foster competitive industrial production, develop international industrial partnerships and promote socially equitable and environmentally friendly industrial development.

UNIDO is the only worldwide organization dealing with industry from a development perspective. Its services are non-profit, neutral and specialized. Its staff are highly qualified with the widest range and depth of required industrial expertise. UNIDO acts as a catalyst to help generate national economic wealth and raise industrial capacity through its roles as a worldwide forum for industrial development and as a provider of technical cooperation services.

UNIDO's ultimate goal is to create a better life for people by laying the industrial foundations for long-term prosperity and economic strength.

Note 1. Summary of significant accounting policies

The following are the significant accounting policies of UNIDO:

(a) UNIDO's accounts are maintained in accordance with the Financial Regulations of UNIDO as adopted by the General Conference, the rules formulated thereunder, administrative instructions in force as at the date of conversion of UNIDO into a specialized agency, and in conformity with generally accepted government accounting principles. UNIDO follows the accounting standards as approved by the Consultative Committee on Administrative Questions on behalf of the Administrative Committee on Coordination at its eighty-third session and requested by General Assembly resolution 48/216, and the financial statements, of which these notes form an integral part, are presented in accordance with those standards, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons.

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies.

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used.

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place.

(v) Financial statements should show corresponding figures for the preceding period. However, for the first financial period in which the revised formats as approved by the Administrative Committee on Coordination are applied, the presentation of corresponding figures for the preceding period is not obligatory.

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The UNIDO financial statements are prepared on the historical cost basis of accounting and have not been adjusted to reflect the effects of changing prices for goods and services.

(c) Fund accounting. The UNIDO accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the General Conference or the Director-General. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts.

(d) The fiscal period of the Organization is a biennium and consists of two consecutive calendar years.

(e) The income, expenditure, assets and liabilities are recognized on the accrual basis of accounting except for trust funds where income is recorded upon receipt of the contribution only.

(f) Translation of currencies. The accounts of the Organization are presented in United States dollars. Transactions in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the United Nations. In respect of such currencies, the financial statements, prepared at such intervals as may be prescribed, reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the United Nations rates of exchange in effect as at the date of the statements.

(g) Assessed contributions. In accordance with financial regulation 5.6, payments made by a Member State are credited first to the Working Capital Fund and then to the contributions due, in the order in which the Member State was assessed.

(h) Pledged contributions. Pledges are recorded as income on the basis of a written commitment by a prospective donor to pay a monetary contribution at a specified time or times. Pledges received for future years are recorded as deferred income. Advances received in payment of pledges for future years are classified as liabilities of the fund.

(i) Contributions in kind received or receivable and the value thereof are not accounted for but disclosed in the notes to the financial statements.

(j) Funds on deposit in interest-bearing bank accounts, certificates of deposit, time deposits and call accounts are shown in the statements of assets and liabilities as cash.

(k) Deferred charges.

(i) Deferred charges comprise expenditure items that are not properly chargeable in the current fiscal period and that will be charged as expenditure in a subsequent fiscal period.

(ii) For balance-sheet statement purposes only, that portion of the education grant advance which is assumed to pertain to the scholastic year completed as at the date of the financial statement is shown under deferred charges. The full amount of the advance is maintained in the accounts receivable from staff members until such time as the staff member produces the required proof of entitlement to the education grant, at which time the budgetary account is charged and the advance recovered.

(l) Fixed assets. Furniture, equipment, other non-expendables and leasehold improvements are not included in the assets of the Organization. Acquisitions are charged against budgetary accounts in the year of purchase.

(m) Commitments approved for future fiscal periods that are necessary in the interests of UNIDO, in accordance with financial rule 109.6, are disclosed in the notes to the financial statements of the respective fund. Such commitments are normally restricted to administrative requirements of a continuing nature and to other contracts or legal obligations where long lead times are required for delivery.

(n) No provision is made in the General Fund for repatriation grant entitlements or to meet contingencies under appendix D to the Staff Rules of UNIDO as funds are provided for in the budget appropriations. However, provision is made to meet repatriation grant entitlements and contingency liabilities for compensation payments under appendix D for personnel financed by technical cooperation other than UNDP and general trust funds and are calculated on the basis of one per cent of net base pay.

(o) Surpluses due to Member States are funds available for credit to Member States arising from unobligated balances of appropriations, savings in the liquidation of obligations for prior periods and contributions from new Member States. In accordance with financial regulation 4.2 (b) as amended, the amount standing to the credit of Member States is reduced by the amount of contributions remaining unpaid. The balance of the surplus account is to be offset against future assessments in accordance with financial regulation 5.2 (d), unless the General Conference decides otherwise.

(p) Other income.

(i) The net income realized from revenue-producing activities is reported as other income.

(ii) Refunds of expenditures charged to prior fiscal periods are credited to miscellaneous income.

(iii) Moneys accepted in respect of which no purpose is specified have been treated as miscellaneous income.

(iv) Gain/loss on exchange arises from transactions in currencies other than United States dollars and revaluation of assets and liabilities held in local currencies.

(v) Proceeds from the sale of surplus property are credited to the miscellaneous income of the respective funds.

(vi) Net income from sales of publications is reported as other income. Gross income and related costs are disclosed in the note to the General Fund.

(q) Technical cooperation accounts.

(i) The appropriations for technical cooperation programmes of the regular budget are administered in accordance with the Financial Regulations of UNIDO.

(ii) Allocation income—UNDP. The figures for allocation income from UNDP and UNDP trust funds are the same as reported for total expenditure in line with UNDP procedures, which require that allocations be adjusted to equal actual expenditure.

(iii) Contributions income—trust funds. Contributions from Governments or other donors are recorded upon receipt of the contribution.

(iv) Interest and miscellaneous income. Interest and miscellaneous income arising from the Regular Programme of Technical Cooperation are credited to the General Fund. Interest and miscellaneous income arising from UNDP activities are credited to the operating fund account maintained with that organization. Interest and miscellaneous income for technical cooperation trust funds and the Industrial Development Fund are credited to the fund concerned.

(v) The criteria for recording and reporting unliquidated obligations against the current biennium for the Regular Programme of Technical Cooperation are the same as those for the regular budget. For all other technical cooperation fund sources obligations may be reported as expenditure of the current year on the basis of the following criteria:

Personnel services

The cost of salaries and related expenses corresponding to services rendered within the calendar year. Personnel services, in this context, includes temporary assistance and overtime as well as consultants who have subscribed to Special Service Agreements. However, when the remuneration of the consultant is expressed as a lump sum rather than a sum per period worked, the full cost of the contract may be treated as an obligation of the current year.

Supplies and equipment

The full cost of contracts or purchase orders entered into prior to the end of the year, whether or not delivery has been effected, as long as there is budgetary provision in the current period.

Subcontracts

An obligation can be sustained on the basis of the payment schedule included in the signed contract with the contractor. Where no payment schedule exists, the basis is the estimated timing of payments.

Fellowships

The cost of the fellowship from the date of commencement of study to completion of study or 31 December, whichever is earlier. The fellow must have been placed, i.e. the fellowship awarded to a named individual and the place of study, the course of study and the duration of the study established and the recipient Government notified.

Travel

The full cost of travel, including the cost of transportation, subsistence allowances and other incidental expenses can be sustained if travel started prior to the end of the calendar year.

Group training

The cost of activities held in the current year. In the case of activities beginning in one year and continuing into the next, the full cost of the activity should be charged to the current year.

(vi) Unliquidated obligations for the current period in respect of all technical cooperation activities other than the regular budget remain valid for 12 months following the end of the year, rather than the biennium, to which they relate. However, in accordance with UNDP reporting requirements, executing agencies may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists; such liabilities are reported as accounts payable in the financial statements. Savings in the liquidation of prior period obligations are credited to individual projects as a reduction of current period expenditure in accordance with UNDP reporting requirements. The UNDP requirements are also applied in the case of the Industrial Development Fund and trust funds.

(vii) Commitments are disclosed in the notes to the financial statements of the respective fund rather than being reported as a separate liability item as was previously the practice.

(viii) A system of average costing is used for UNDP projects whereby those elements of experts' actual costs which are unique to the individual expert are charged to UNDP projects at average cost, calculated by apportioning those costs over all UNDP projects in respect of which expert-months have been delivered in the current period.

(r) Trust funds. Director-General's bulletin UNIDO/DG/B.18/Rev.1 dated 15 May 1992 sets out revised policies for establishing and managing trust funds with effect from 26 May 1992. Extrabudgetary funds provided to reimburse the Organization for the use of its facilities are excluded from the provisions of UNIDO/DG/B.18/Rev.1.

(s) Special account for programme support costs.

(i) Reimbursement for programme support costs is provided for in respect of extrabudgetary technical cooperation activities. Reimbursement is calculated as a percentage of programme resources expended.

(ii) Under the UNDP successor arrangements for agency support services for programme and policy development (SPPD)—previously TSS1—as well as support for technical services (STS)—previously TSS2—are reimbursed at standard unit cost per work-month, whereas for administrative and operational services reimbursement is calculated in 1996 at rates applicable to specific clusters of services and at the rate of 10% for all services in 1997.

(iii) In the financial statements of the Organization, the special account for

programme support costs is shown separately from the inter-organization funds, from which its income derives.

(iv) Unliquidated obligations in respect of the special account for programme support costs are accounted for on the same basis as for the regular budget.

(t) *Ex gratia* payments made in accordance with financial rule 109.13 are reported in the notes to the financial statements of the respective fund pursuant to financial regulation 9.3.

Note 2. General Fund and Working Capital Fund

(a) **Assessed contributions**

(i) The General Conference approved an amount of $180,899,500 for the regular budget for 1996-1997 on the basis of an exchange rate of US$1 = AS 12.90 (GC.6/Dec.11)to be financed from contributions by Member States and the mandatory payment due from the United States of America. This amount has been restated to $203,762,200 after applying the adjustment formula shown in resolution GC.6/Dec.11 to take account of the average exchange rate actually experienced during the biennium 1996-1997 (US$1 = AS 11.28). The revised appropriations for 1996-1997 submitted to the General Conference are shown in Statement IV of the financial statements.

(ii) Due to the fact that Austrian schilling contributions were converted to United States dollars at the exchange rate in effect at the time of receipt, and to the fact that Austrian schilling contributions unpaid at 31 December 1997 were revalued at the rate in effect at that date (US$1 = AS12.30), the value of the assessment decreased by $1,567,000 to $202,195,200.

(b) **Revenue-producing activities**

Gross revenue from the sale of UNIDO publications in the amount of $274,851 was reduced to $198,072 by costs for sales promotion activities and other expenses.

(c) **Currency exchange adjustments**

As a result of fluctuations in the exchange rate between the Austrian schilling and the United States dollar, a net loss of $2,520,457 was realized on funds held in Austrian schillings.

(d) **Prior biennium adjustments**

Pursuant to decision IDB.7/Dec.7, arrears of assessed contributions in Austrian schillings for 1994-1995 were valued at the exchange rate of US$1 = AS 10.64, being the average exchange rate for the three-year period covering the biennium 1994-1995 and the 12-month period following that biennium and ending on 31 December 1996.

Prior biennium adjustments of $3,789,977 represent a decrease in the value of Austrian schilling contributions, 1994-1995 of Member States and new Member States.

(e) **Savings on or cancellation of obligations from the prior biennium**

The following is an analysis, expressed in millions of United States dollars, of savings on liquidation of 1994-1995 obligations and of the status of appropriations for that biennium as at 31 December 1996:

Major Programme	Balance of appropriations as at 31 December 1995	Savings on liquidation of obligations in 1996	Balance of appropriations as at 31 December 1996
Policy-making Organs	1.6	0.3	1.9
General Management	(1.2)	0.4	(0.8)
Country Strategy and Programme Development		0.6	0.6
Mobilization and Management of Financial Resources	0.3	0.1	0.4
Information and Research	1.6	0.3	1.9
Human Resource, Enterprise and Private Sector Development	0.9	0.1	1.0
Industrial Sectors and Environment	4.6	0.2	4.8
Investment and Technology Promotion	1.0	0.2	1.2
Common Programmes	3.3	1.1	4.4
Operational Support Services	(0.4)	0.2	(0.2)
Joint and Common Services	9.9	1.0	10.9
Administration	2.3	0.1	2.4
Total A	23.9	4.6	28.5
	(Excess) shortfall over approved estimate	(Excess) shortfall accrued income	(Excess) shortfall over approved estimates
Income	(3.1)	(0.7)	(3.8)
Total B	(3.1)	(0.7)	(3.8)
Total A - B	27.0	5.3	32.3

(f) Accounts receivable—other

The following table is an aged analysis of other accounts receivable, expressed in millions of United States dollars as at 31 December 1997.

Amounts due from Governments for more than one year relate to the Organization's claim submitted to the Government of the United States of America in respect of United States income tax reimbursed to UNIDO staff members in 1996 under the tax reimbursement agreement.

	Less than one year	More than one year	Total
Governments	0.5	0.4	0.9
Staff members	1.2	-	1.2
Specialized agencies	5.0	0.6	5.6
Income tax recoverable	0.9	-	0.9
Deferred charges	0.6	-	0.6
Other	0.2	-	0.2
Total accounts receivable—other	8.4	1.0	9.4

Amounts due from specialized agencies for more than one year relate to the Organization's claim submitted to the International Atomic Energy Agency under the cost sharing agreement for termination indemnity costs for Buildings Management staff separated during the 1995 staff reduction exercise. A provision for a possible write-off of this receivable is included in the obligations against 1996-1997 appropriations.

UNIDO has entered into incentive agreements with international airlines and received $164,188 therefrom during the biennium 1996-1997. The amounts due to the Organization under these agreements for 1997 were still unknown at the time of preparation of the financial statements.

(g) **Contributions received in advance**

Contributions of varying amounts, totalling $0.6 million, were received from Member States for the biennium 1998-1999.

(h) **Borrowings**

At the time UNIDO became a specialized agency an interest-free loan of $16,000,000 was received from the United Nations. The loan is repayable at the rate of $1,000,000 a year, commencing in 1990.

(i) **Accounts payable—other**

The following table is an analysis of the accounts payable, expressed in millions of United States dollars, as at 31 December 1997:

Staff members	0.6
Vendors	1.8
Repatriation grants	0.1
Other	1.3
Total accounts payable—other	3.8

(j) **Other funds and special accounts**

United States income tax in the amount of $950,490 reimbursed to staff members prior to the effective date of the tax reimbursement agreement was claimed from the Government of the United States of America but not reimbursed. After the withdrawal of the United States of America and after the termination of the tax reimbursement agreement effective 31 December 1996, this amount was offset against the provision established in 1993 against 1992-1993 appropriations.

(k) **Working Capital Fund**

(i) The amount of the Fund was set by the General Conference at $9 million (GC.2/Dec.27). For the biennium 1996-1997 the level of the Working Capital Fund was reduced to $6,750,000 (GC.6/Dec.16). The advances received from the United States of America were applied against arrears of contributions receivable from that Member State. To finance budgetary appropriations pending the receipt of contributions, a total of $6,710,896 was advanced to the General Fund as at 31 December 1997.

(ii) The excess of the balance of the Fund over its authorized level in the amount of $12,622 represents contributions assessed to new/withdrawing Member States which will be applied against future assessments.

(l) **Surplus due to Member States**

Following the United Nations' common accounting standards and the recommendation of the External Auditor, for the first time in its history UNIDO established a provision for the delay in the collection of assessed contributions. The provision comprises total arrears of contributions receivable from Member States and new Member States at balance sheet date.

The following is an analysis of the surpluses due to Member States, expressed in millions of United States dollars after application of the provision:

	Surplus	Disposal of surpluses	Surpluses applied to assess-ments	Provisions for delays in the collection of contributions	Surpluses due to Member States	Remarks
1996-1997 (provisional)	37.8			47.1	(9.3)	
1994-1995 (GC.7/Dec.17)	31.5	13.9		48.3	(30.7)	
1992-1993 (GC.6/Dec.15)	14.7	9.5	1.4	2.5	1.3	
1990-1991	8.7			1.3	7.4	Retained—GC.5/Dec.14
1988-1989	6.5			0.2	6.3	Retained—GC.4/Dec.15
1986-1987 (GC4/Dec. 15)	4.3	4.3				
	103.5	27.7	1.4	99.4	(25.0)	
Contributions from new Member States	1.3		0.4	0.5	0.4	
Total	104.8	27.7	1.8	99.9	(24.6)	

(m) **Separation indemnity reserves**

Pursuant to decision GC.6/Dec.15, paragraph (e), the amount of $9,546,732 representing the balance of appropriations for the biennium 1992-1993 which has been paid in was transferred to a separation indemnity reserve in 1995. The reserve has effectively been reduced to $1,690,630 by payments made in 1995 ($ 791,164) and during the biennium 1996-1997($ 7,064,938). Pursuant to decision GC.7/Dec.17 the amount of $ 13.9 million was transferred from the unutilized balance of appropriations for the biennium 1994-1995 for the funding of the separation indemnity reserve to meet the cost of staff separations resulting from the 1998-1999 programme and budgets.

(n) Long-term contracts awarded for the operation of the VIC are not reported as commitments as they may be terminated at any time without penalty.

(o) **Non-expendable equipment**

The following table shows the non-expendable equipment, at cost, expressed in millions of United States dollars, according to the cumulative inventory records of UNIDO as at 31 December 1997. In accordance with UNIDO accounting policies, non-expendable equipment is not included in the fixed assets of the Organization but is charged against the appropriations when acquired. The minimum dollar value per item of non-expendable property is $1,500.

Balance as at 1 January 1996		15.4
Add:	Acquisitions during 1996-1997	2.2
Deduct:	Disposals during 1996-1997	3.7
Balance as at 31 December 1997		13.9

(p) **Contingent liability for end-of-service payment to staff**

In accordance with the decision taken by the Panel of External Auditors in 1989 at Manila, UNIDO calculated the amounts required to cover the estimated costs of contingency liabilities for end-of-service payment as at 31 December 1997.

In line with United Nations accounting standards and contrary to previous practice liabilities for end of service payments comprise end of service allowance, repatriation grant and compensation for accrued annual leave. The valuation is based on average cost of staff separating during the biennium 1996-1997.

They are estimated to be:

Regular budget	$21.5 million
Operational budget	$ 5.0 million

Post retirement benefits are excluded as no actuarial estimate is available.

It should be noted that no budgetary provision has been made, except that in the case of the operational budget as reflected in Statement II and note 3(c) (operating reserve) there is a contingency reserve of $4.3 million which was effectively reduced to $4.2 million by negative fund balances.

(q) **Contingent liability to the United Nations Joint Staff Pension Fund**

Pursuant to Article 26(a) of the Regulations and Rules of the United Nations Joint Staff Pension Fund, member organizations are obliged to pay in the sum necessary to make good the deficiency in the event that the actuarial valuation of the Fund shows that its assets may not be sufficient to meet its liabilities under these regulations. The United Nations Joint Staff Pension Fund Secretariat is to determine the potential liability of each member organization. In the report of the twenty-third actuarial valuation of the United Nations Joint Staff Pension Fund, the Consulting Actuary has assessed the actuarial sufficiency of the Fund. There is no requirement for deficiency payments under Article 26 of the Regulations of the Fund as of 31 December 1995. The actuarial valuation is updated in 1998.

(r) **After-service health insurance**

Staff members (their spouses, dependent children or survivors) retiring from service under the Pension Fund Regulations at age 55 or later, are eligible for after-service health insurance coverage after having been a participant in a contributory health insurance scheme of the common system for at least 10 years. The same applies to staff members receiving compensation for disability under Appendix D to the Staff Rules. Costs of participation in this scheme are borne on the basis of joint contributions by UNIDO and the participants concerned.

No actuarial study has been undertaken to establish the present level of unfunded liabilities. During the biennium 1996-1997 the organization's contribution to the scheme amounted to US$ 2,722,366 including an obligation of US$ 1,000,000 for amounts due to the United Nations for former UNIDO staff members insured in the United Nations insurance plan for the period 1986 to 1994.

(s) **Contributions in kind**

Contributions in kind estimated at $304,100 were received from Member States in support of the UNIDO field service, $48,900 in support of travel of staff and $130,500 in support of promotional activities.

(t) **Common Fund for Major Repairs and Replacements**

On 1 January 1981 an agreement between the Republic of Austria, the United Nations, and IAEA went into effect to establish a common fund for the purpose of financing the cost of major repairs and replacements of buildings, facilities and technical installations which are the property of the Republic of Austria and form part of the headquarters areas of the United Nations and IAEA at the Vienna International Centre. This agreement has also applied to UNIDO since 1986 when it became a specialized agency. The Fund is administered by the Director of General Services of UNIDO through a joint committee. Annual financial statements are prepared by UNIDO and audited by UNIDO Office of Internal Oversight. The liability of each of the three VIC-located organizations which was under the agreement limited to $150,000 per year, i.e. $25,000 as an annual contribution and up to $125,000 as reimbursement of approved expenditures incurred in the previous year, was increased to $325,000 as of 1 January 1996.The Republic of Austria is liable to pay the balance exceeding the combined limit of $900,000 established for the three United Nations organizations.

The Fund balance as at 31 December 1997 was $2,411,410.

Note 3. Other headquarters funds

(a) Funds reported under this heading comprise the special account for programme support costs and the Computer Model for Feasibility Analysis and Reporting (COMFAR).

(b) **Net excess of income over expenditure**

The following is an analysis, expressed in United States dollars, of income and expenditure during the biennium 1996-1997 for the funds reported under this heading.

	Special account for programme support costs	Computer model for feasibility analysis and reporting	Total
Income	25,342,579	1,012,660	26,355,239
Expenditure	25,054,337	927,075	25,981,412
Net excess of income over expenditure	288,242	85,585	373,827

(c) **Operating reserve**

An operating reserve, established in respect of the special account for programme support costs in accordance with PBC conclusion 1989/4 at $5,504,190 was reduced to $4,300,000 in accordance with Board decision IDB.14/Dec.12. The reserve was effectively reduced by the negative fund balances of $74,739 to $4,225,261.

(d) **Contributions in kind**

Contributions in kind estimated at $314,000 were received from Member States in support of the UNIDO field service and $84,000 in support of personnel by recruitment under non-reimbursable loan arrangements.

(e) One *ex gratia* payment in the amount of $12,120 was approved by the Director-General and charged to the special account for programme support costs.

Note 2. Technical cooperation

(a) Technical cooperation activities reported under this heading comprise activities executed by UNIDO with funds provided through the Industrial Development Fund, trust funds and inter-organization agreements with UNDP and other organizations.

(b) **Transfers to reserves**

This represents the charge to projects in respect of the provision for compensation payments referred to in note 1(n).

(c) Of the $160,345,089 cash balance, the equivalent of $791,947 is held in currencies classified as non-convertible, as follows:

Trust funds	102,062
Industrial Development Fund	689,885
Total non-convertible currencies	791,947

(d) **Accounts receivable—other**

The following table is an aged analysis of other accounts receivable, expressed in millions of United States dollars, as at 31 December 1997:

	Less than one year	More than one year	Total
Staff members	0.3	-	0.3
Specialized agencies	0.1	0.1	0.2
Other	1.6	-	1.6
Total accounts receivable	2.0	0.1	2.1

(e) **Other assets**

The table below provides an analysis of the amount shown as other assets, expressed in millions of United States dollars, as at 31 December 1997:

IOV charges pending clearance	5.8
Other	0.3
Total other assets	6.1

(f) **Voluntary contributions receivable, advances and other liabilities**

The balance of pledged contributions receivable since the inception of the Industrial Development Fund including balances brought forward from UNIDF and pledges for 1998 and future years is $46,767,330. Advances of $8,336,043 were received in excess of special purpose pledges.

(g) **Accounts payable—other**

The following table is an analysis of other accounts payable, expressed in millions of United States dollars as at 31 December 1997:

Staff members	0.3
Specialized agencies	1.1
Repatriation grants	1.0
Prior years' obligations	4.3
Other	2.6
Total accounts payable	9.3

(h) **Operating reserves**

The Industrial Development Board, in decision IDB.2/Dec.7, authorized the freezing of the operational reserve of the Industrial Development Fund at $550,000.

(i) Commitments, representing legal obligations for which disbursements will be made in future bienniums, were entered into prior to 31 December 1997, as follows (expressed in millions of United States dollars):

Industrial Development Fund	15.5
Trust funds	1.5
Inter-organization arrangements	2.4
	19.4

(j) Excess of expenditure over funds received for projects financed under the special purpose segment of the IDF in the amount of $99,415 was absorbed by the general purpose pool of the fund.

(k) *Ex gratia* payments in the amount of $16,700 in respect of the Industrial Development Fund and $32,450 in respect of trust funds were approved by the Director-General and charged to the respective projects in agreement with donors.

(l) Pursuant to the memorandum of understanding between UNIDO and UNDP dated April 1989 concerning the integration of the UNIDO field service within the UNDP field office, UNDP provided resources in the amount of $5,943,817 in support of the UNIDO Country Director programme during the biennium 1996-1997.

(m) Contributions in kind estimated at $ 133,400 were received from Member States in support of UNIDO project offices, $ 53,100 in support of project travel, $ 672,100 in support of promotional activities and $ 502,600 in support of personnel by recruitment under non-reimbursable loan arrangements.

(n) In agreement with the External Auditor it was decided to report allocations for projects financed by UNDP under the heading "Funds received under inter-organization agreements", rather than under "Allocations from other funds". Comparative amounts for the biennium 1994-1995 are adjusted accordingly.

Note 5. Self-liquidating commercial activities (annex I)

VIC Catering Services

Contingency liabilities for termination benefits and indemnities amount to $395,763. Non-expendable equipment used by the VIC Catering Services has been purchased by UNIDO. According to cumulative inventory records its value amounts to $2,089,361. In accordance with agreements regarding the operation of the VIC, 68.4 per cent of the total value was recovered from other agencies when acquired during the period 1979-1995, 73.11 and 74.25 per cent when acquired during the years 1996 and 1997 respectively.

Annex I

SELF-LIQUIDATING COMMERCIAL ACTIVITIES
(In United States dollars)

VIC Catering Services

Statement of income and expenditure for the biennium 1996 - 1997

Income	
Gross sales	10,403,347
Less: Cost of goods sold	3,975,638
Net income from sales	6,427,709
Other income	385,672
Total income	6,813,381
Expenditure	
Personnel services	6,236,531
Other	906,863
Total expenditure	7,143,394
Excess (shortfall) of income over expenditure	(330,013)

Statement of assets and liabilities as at 31 December 1997

Assets	
Cash	954,773
Accounts receivable	149,516
Interest receivable	577
Inventory	73,932
Total assets	1,178,798
Liabilities	
Accounts payable	145,084
Total liabilities	145,084
Fund balance	
Balance available 1 January 1996	1,363,727
Add: Excess (shortfall) of income over expenditure	(330,013)
Balance available 31 December 1997	1,033,714
Total liabilities and Fund balance	1,178,798

Annex ii

TECHNICAL COOPERATION ACTIVITIES EXECUTED BY UNIDO

Table 1. Combined statement of income and expenditure and changes in reserves and fund balances for the biennium 1996-1997
(In thousands of United States dollars)

	Regular Programme	Industrial Development Fund	Trust funds	Inter-organization arrangements	Total 1996-1997
INCOME					
Assessed contributions					
Voluntary contributions		116,707.2	21,699.8		138,407.0
Other income					
Funds received under inter-organization arrangements				59,565.3	59,565.3
Allocations from other funds	10,284.9				10,284.9
Interest income		9,749.0	4,609.6		14,358.6
Currency exchange adjustments		(3,429.1)	(1,116.7)		(4,545.8)
Miscellaneous		(60.2)	(39.5)		(99.7)
TOTAL INCOME	10,284.9	122,966.9	25,153.2	59,565.3	217,970.3
EXPENDITURE					
Salaries and common staff costs	6,259.6	27,143.1	18,833.6	25,425.2	77,661.5
Contractual services	721.1	44,663.1	2,579.5	3,016.8	50,980.5
Operational expenses	638.6	3,311.8	1,084.1	2,727.5	7,762.0
Acquisitions	743.8	17,384.0	2,104.9	14,656.1	34,888.8
Fellowships	1,921.8	4,387.8	1,707.0	5,797.5	13,814.1
Programme support costs		12,241.7	2,954.4	8,029.2	23,225.3
TOTAL EXPENDITURE	10,284.9	109,131.5 (a)	29,263.5 (b)	59,652.3 (c)	208,332.2
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		13,835.4	(4,110.3)	(87.0)	9,638.1
Prior biennium adjustments				(15.5)	(15.5)
Provision for delays in collection of contributions					
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		13,835.4	(4,110.3)	(102.5)	9,622.6
Savings on or cancellation of prior biennium's obligations					
Transfers to reserves		158.7	69.6		228.3
Transfers from reserves					
Transfers to/from other funds					
Credits to Member States					
Other adjustments to reserves and fund balances					
Reserves and fund balances, beginning of biennium		40,605.6	34,728.5	136.7	75,470.8
RESERVES AND FUND BALANCES, END OF BIENNIUM		54,599.7	30,687.8	34.2	85,321.7

References:-

(a) - Annex II, table 3

(b) - Annex II, table 4

(c) - Annex II, table 5

Table 2. Combined statement of assets, liabilities, and reserves and fund balances as at 31 December 1997
(In thousands of United States dollars)

	Regular Programme	Industrial Development Fund	Trust funds	Inter-organization arrangements	Total
ASSETS					
Cash and term deposits		123,796.6	34,979.9	1,568.6	160,345.1
Investments					
Accounts receivable					
Assessed contributions receivable from Member States					
Voluntary contributions receivable		46,767.3			46,767.3
Other contributions receivable				5,110.2	5,110.2
Less provision for delay in collection of contributions					
Interfund balances				887.8	887.8
Other		1,017.9	316.6	765.3	2,099.8
Other assets		16.6	1.9	6,039.4	6,057.9
TOTAL ASSETS		171,598.4	35,298.4	14,371.3	221,268.1
LIABILITIES					
Payments or contributions received in advance		8,336.0			8,336.0
Unliquidated obligations		19,758.9	2,691.5	10,495.7	32,946.1
Accounts payable					
Interfund balances		18.7	572.7		591.4
Other		4,075.7	1,346.4	3,841.4	9,263.5
Other funds and special accounts					
Other liabilities		84,809.4			84,809.4
TOTAL LIABILITIES		116,998.7	4,610.6	14,337.1	135,946.4
RESERVES AND FUND BALANCES					
Operating reserves		550.0			550.0
Other reserves		919.0	912.2		1,831.2
Balances relating to projects funded by donors		51,073.7 (a)	29,775.6 (b)	34.2	80,883.5
Working capital funds					
Surplus (deficit)		2,057.0 (a)			2,057.0
TOTAL RESERVES AND FUND BALANCES		54,599.7	30,687.8	34.2	85,321.7
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		171,598.4	35,298.4	14,371.3	221,268.1

References:-

(a) - Annex II, table 3

(b) - Annex II, table 4

Table 3. Summary of transactions on sub-accounts of the Industrial Development Fund for the biennium 1996-1997 as at 31 December 1997
(In United States dollars)

	Fund balance as at 01/01/1996	Increase in firm pledges 1996-1997	Interest accrued, 1996-1997	Other income, 1996-1997	Expenditure, 1996-1997	Fund balance as at 31/12/1997
General-purpose convertible	2,422,741	1,220,209	208,537	(12,571)	1,781,961	2,056,955
Agence de Cooperation Culturelle et Technique	26,379	99,516	8,269	(17)	106,922	27,225
Agence Wallonne a l'Exportation	35,904	305,236	5,652	(52)	286,884	59,856
Arab Industrial Development and Mining Organization	4,945	(18)	1,961	0	0	6,888
Australia	57,793	5,317	4,801	2,180	8,249	61,842
Austria	1,584,381	5,694,925	(292,428)	(90,026)	5,103,645	1,793,207
Bahrain	68,332	625,037	33,123	(707)	345,009	380,776
Belgium	2,177,304	1,717,310	241,506	(524,495)	1,703,263	1,908,362
Brazil	26,631	0	6,134	0	0	32,765
China	717,088	690,468	(70,984)	(5,246)	632,512	698,814
Common Fund for Commodities	0	637,381	0	(21)	239,389	397,971
Corporacion Andina de Fomento	39,032	0	7,528	(83)	0	46,477
Côte d'Ivoire	(442)	0	0	0	0	(442)
Costa Rica	7,588	128,726	0	(34)	129,081	7,199
Czech Republic (Ministry of Foreign Affairs)	12,630	386,293	17,554	(53)	306,964	109,460
Czech Republic (Ministry of Trade and Industry)	0	42,409	13	(16)	39,687	2,719
Democratic People's Republic of Korea	200,573	148,227	12,075	(41)	246,766	114,068
Denmark	656,064	140,172	1,358	(148)	637,524	159,922
Finland	159,653	(6,700)	71,527	(54)	62,250	112,176
France (Ministere des Affaires Etrangeres)	4,011,574	2,397,998	128,094	(334,480)	2,456,170	3,747,016
France (Ministere d'Agriculture)	1,668,983	1,691,286	221,856	(85,086)	659,748	2,837,291
Germany (a)	4,874,613	5,967,974	73,946	(261,757)	7,332,024	3,322,752
Greece	98,470	1,006,511	25,667	(3,880)	766,457	360,311
Hungary	0	46,737	2,039	26	44,309	4,493
Inverni della Beffa	2,979	1	(3,001)	21	0	0
India	1,426,597	975,383	75,339	329	1,461,192	1,016,456
Instituto Tecnologico y de Estudios Superiores de Monterrey	4,939	(3,508)	1,240	0	(705)	3,376
Intergovernmental Negotiating Committee for a Convention to Combat Desertification	241	94	(340)	5	0	0
Iran (Islamic Republic of)	32,018	0	3,250	0	0	35,268
Ireland	0	0	283	0	0	283
Italy	7,940,290	5,748,196	893,951	(1,073,603)	5,766,045	7,742,789
Japan	2,416,349	7,791,942	499,925	(423,397)	7,164,965	3,119,854
Montreal Protocol	5,769,070	70,398,485	6,698,040	(29,092)	61,053,564	21,782,939
Netherlands	2,659,964	1,415,933	283,264	(1,144)	2,654,872	1,703,145
New Zealand	58,183	(1)	5,113	(4)	36,192	27,099
Norway	436,059	567,529	82,597	(7,707)	562,669	515,809
Poland	(27,668)	290,093	3,815	(811)	249,008	16,421
Portugal (Institute for Portuguese Cooperation)	491,935	(323,295)	19,711	(18,391)	0	169,960
Portugal (Multilateral Cooperation)	16,591	0	22,922	(6,823)	0	32,690
Republic of Korea	82,572	142,403	57,020	3,615	125,349	160,261
Saudi Arabia	577,912	63,823	150,528	(27)	204,131	588,105
SG des Eaux Minerals de Vittel	6,576	0	656	(8,081)	0	(849)
Slovakia	1,490	15,600	2,478	(14)	4,041	15,513
Spain	205	0	22	0	0	227
Sweden	171,425	(57,318)	0	96,350	3	210,454
Switzerland	2,043,250	4,728,042	304,961	(325,321)	4,746,408	2,004,524
Thailand		0	4,242	0	0	4,242
Turkey	105,226	91,632	6,530	(10,029)	177,486	15,873
UNDCP	(38,868)	(78,189)	0	(1,357)	(130,143)	11,729
Undetermined	93,832	(12,211)	0	0	101,609	(19,988)
United Kingdom	230,217	41,167	(88,244)	(2)	41,169	141,969
Venezuela	24,754	2	(641)	214	0	24,329
Total special-purpose convertible	40,953,633	113,520,608	9,473,352	(3,109,259)	105,324,708	55,513,626
Bulgaria	(260,571)	0	1,239	(9,590)	0	(268,922)
China	(185,282)	46,180	3,173	(174)	51,894	(187,997)
Cuba	(32,411)	0	0	(30)	0	(32,441)
Czech Republic (Ministry of Foreign Affairs)	(1,382)	783,376	5,242	(62,402)	755,200	(30,366)
Egypt	(61,351)	0	0	0	0	(61,351)
Hungary	(137,214)	218,459	2,126	(85,492)	200,092	(202,213)
India	(1,070,033)	16,742	49,987	(37,024)	193,499	(1,233,827)
Iran (Islamic Republic of)	(7,998)	0	0	0	0	(7,998)
Mongolia	(15,797)	0	0	0	0	(15,797)
Pakistan	(58,121)	0	0	(2,941)	0	(61,062)
Poland	(261,910)	596,494	0	(37,172)	569,417	(272,005)
Romania	(53,384)	0	274	(227)	0	(53,337)
Russian Federation	(971,866)	0	0	(11)	0	(971,877)
Slovakia	11,252	185,155	3,025	(30,190)	169,174	68
Technology Information,Forecasting and Assessment Council, New Delhi	0	(388)	0	0	(388)	0
Turkey	(487,691)	120,378	2,012	(102,228)	85,986	(553,515)
Yugoslavia (b)	(487,267)	0	0	0	0	(487,267)
Total non-convertible	(4,081,026)	1,966,396	67,078	(367,481)	2,024,874	(4,439,907)
Grand total	39,295,348	116,707,213	9,748,967	(3,489,311)	109,131,543	53,130,674

(a) Includes balances from former German Democratic Republic.
(b) Concerning Yugoslavia, see resolution GC/S.1/Res.1 adopted by the General Conference at its first special session.

Table 4. Summary of technical cooperation activities financed by trust funds for the biennium 1996-1997
(In United States dollars)

	Fund balance 01/01/1996	Contributions received, interest and miscellaneous income 1996-1997	Expenditures 1996-1997	Fund balance 31/12/1997
Projects financed by recipient Governments				
Algeria		18,029	8,579	9,450
Argentina	768,809	739,737	1,043,173	465,373
Bolivia	8,899	1,292	46	10,145
Belarus	18,574	2,761		21,335
Brazil	30,635	1,041,736	803,370	269,001
Chile	357	777	(4,422)	5,556
China	8,955	194,311	75,126	128,140
Colombia		1,471,555	1,145,739	325,816
Egypt	662,780	237,095	880,847	19,028
Iran, Islamic Republic of	45,993	6,836		52,829
Iraq	529,938	(358,193)		171,745
Libyan Arab Jamahiriya	1,891,056	5,289,986	5,344,287	1,836,755
Madagascar	189,970	619,429	603,919	205,480
Mauritius		102,351	70,728	31,623
Mexico		21,018	20,025	993
Oman	139,930	22,064	202	161,792
Panama		60,646	52,785	7,861
Paraguay		204,196	181,748	22,448
Peru		315,688	92,018	223,670
Qatar		136,924	133,186	3,738
Russian Federation	64,998	413,837	442,828	36,007
Saudi Arabia		54,387		54,387
Thailand	15,256	61,000	74,929	1,327
Turkey	42,649	2,650	35,613	9,686
Subtotal	4,418,799	10,660,112	11,004,726	4,074,185
Associate Experts				
Austria	60,414	337,762	308,015	90,161
Belgium	709,229	96,479	45,891	759,817
Denmark	508,724	246,335	367,168	387,891
France	138,900	123,880	126,870	135,910
Germany	121,146	113,476	179,263	55,359
Italy	702,292	(132,603)	400,496	169,193
Japan	482,363	375,031	399,946	457,448
Netherlands	268,828	1,908,981	1,493,440	684,369
Norway	81,361	4,879	55,248	30,992
Russian Federation	66,386	156,092	144,307	78,171
Subtotal	3,139,643	3,230,312	3,520,644	2,849,311
Junior Professional Officers				
Austria	15,771	24,808	20,962	19,617
Belgium	109,967	46,544	28,379	128,132
Denmark	187,813	54,266	30,809	211,270
Finland	69,569	10,341		79,910
France	10,498	1,561		12,059
Germany	381,238	98,591	51,513	428,316
Italy	38,522	8,876	22,369	25,029
Japan	41,640	6,190		47,830
Netherlands	210,141	85,265	55,774	239,632
Norway	47,139	7,109	229	54,019
Sweden	32,436	5,274	(3,046)	40,756
Switzerland	17,607	4,492	5,033	17,066
Subtotal	1,162,341	353,317	212,022	1,303,636

	Fund balance 01/01/1996	Contributions received, interest and miscellaneous income 1996-1997	Expenditures 1996-1997	Fund balance 31/12/1997
Projects financed by donor Governments				
Australia	185,705	198,324	187,259	196,770
Austria	1,448	(1,448)		0
Belgium	351,386	142,073		493,459
Canada	12,973	(6,234)		6,739
Czech Republic		148,999	10,170	138,829
Denmark	289,654	43,970	(6,441)	340,065
France	246,735	89,852	245,399	91,188
Greece		59,322	42,901	16,421
India	578,377	(555,145)	(34,980)	58,212
Italy	8,051,205	1,302,085	2,318,937	7,034,353
Japan	7,228,834	2,993,196	2,828,592	7,393,438
Norway	17,411	81,272	68,456	30,227
Republic of Korea	232,039	341,049	190,424	382,664
Slovakia		124,929	31,086	93,843
Sweden	80,856	504,936	346,082	239,710
United Kingdom	2,083,044	146,958	1,599,182	630,820
USA	157,872	121,608	(34,519)	313,999
Subtotal	19,517,539	5,735,746	7,792,548	17,460,737
Other trust funds				
ABV Leasing und Hotel GesmbH	518	(518)		
ALCOA Inter America Inc.	12,800	1,856	402	14,254
Arthur Andersen & Co	3,354	499		3,853
Associate Mining Industries, Nigeria	20,140	2,838	1,215	21,763
Banco de Sabadell	65,982	(124,412)	(58,430)	0
Beni Suef Cement Company	458,637	760,002	1,191,101	27,538
Benue Cement Company	130,676	20,659	(8,270)	159,605
Bumar Labedy	1,611	240		1,851
Cement Company of Northern Nigeria	178,957	26,706	(550)	206,213
Centro de Investigacion y asistencia tecnica	(1,455)	12,180	10,725	0
Centro de Investigaciones Textiles	21,325	379,459	318,570	82,214
Ceylon Steel Corporation	1,644	554	(2,104)	4,302
Chiyoda Corporation	87,839	(82,558)	1,997	3,284
Cooperation Council for the Arab States of the Gulf (GCC)	8,277	1,230		9,507
Engineering Consulting Firms Association	39,940	1,580	32,205	9,315
EPSTEIN Engineering Export Ltd.	572	85		657
Ernst and Young	81	(81)		
European Union	59,484	90,708	125,850	24,342
Fed. Chemical & Ceramics Corp.	(1,188)	(177)		(1,365)
Food and Agriculture Organization of the United Nations	195	29		224
ICN Pharmaceutical Inc.	(5,661)	5,661		
IFAD	88,170	118,380	136,099	70,451
Industrial Research and Consultancy Centre	329			329
Industrirade	(25,356)	25,356		
Infocon		109,767	64,485	45,282
Inversionec Cofide S. A.	40,091	83,042	101,258	21,875
Iran Itok Engineering	7,546	1,122		8,668
Islamic Development Bank	13,772	33,739	41,350	6,161
Japan International Development Organization	454,291	(234,392)		219,899
Kwang Hua Development and Investment Ltd.	445,328	(445,489)	(161)	
Mitsui Co. Ltd.	6,769	1,195		7,964
National Financeria	(1,184)	(27)	(1,211)	
Neumann H. International CEE	2,444	(2,444)		0
New Nigeria Development Co.	46,325	6,729	1,215	51,839
Nigerian Industrial Development Bank	63,990	9,356	1,215	72,131

	Fund balance 01/01/1996	Contributions received, interest and miscellaneous income 1996-1997	Expenditures 1996-1997	Fund balance 31/12/1997
Nigerian National Petroleum Corporation	1,011,815	142,823	527,770	626,868
Nimtech		96,001	66,790	29,211
Norad	383,998	24,114	348,595	59,517
Petroliam Nasional Berhard	19,113	2,976	(854)	22,943
PREMAG		39,394	24,493	14,901
Research Area of Trieste	81,202	(201,107)	(119,905)	
Rockefeller Foundation	15,841	(15,841)		
Servicio Nacional de Aprendizagem Industrial	293,693	1,939,869	1,547,807	685,755
Sezione Speciale per l'Assicurazione de Credito	25,836	3,840		29,676
Shahid Modarres Ind Pharmac	38,191	5,676		43,867
Société Nationale d' Investissement du Cameroun	10,917	(10,917)		
Staudhammer Finanz AG		28,852	5,706	23,146
Swedish International Enterprise Development Association	80,311	687,833	474,585	293,559
The Ford Foundation	1,143	292		1,435
The Swiss Assoc. of Cement, Limestone & Gypsum Manuf.		505,952	257,569	248,383
The Yemen Corporation for Cement Industries	11,135	1,655		12,790
Ukrainisch-österreichisches Forum	47,979	35,189	69,831	13,337
United Nations	353	53		406
United Nations Environment Programme	(91)	91		
United Nations Fund for Special Industrial Services	171,557	25,499		197,056
USAID		262,635	262,635	
Wockhardt Ltd	88,907	(88,910)	(3)	
World Bank	791,083	389,649	546,088	634,644
Yokohama Women's Association	3,844	(4,017)	(173)	
Subtotal	5,303,070	4,674,475	5,967,895	4,009,650
Multi-donor trust funds	344,533	499,217	765,644	78,106
Subtotal	344,533	499,217	765,644	78,106
TOTAL	33,885,925	25,153,179	29,263,479	29,775,625

Table 5. Summary of technical cooperation activities for the biennium 1996-1997 financed under inter-organization agreements (in United States dollars)

	Project expenditure	Programme support	Total expenditure
UNDP			
UNDP main programme	26,931,253	2,788,622	29,719,875
Support services for policy and programme development (1996: TSS-1)	2,429,986	1,447,691	3,877,677
Support for technical services at the project level (1996: TSS-2)	664,632	1,644,271	2,308,903
Projects for which UNIDO is the associated agency	287,553	31,574	319,127
Government-executed projects for which UNIDO is the implementing agency	18,134,805	1,816,671	19,951,476
UNDP trust funds	3,072,318	300,363	3,372,681
UNEP	102,544		102,544
	51,623,091	8,029,192	59,652,283

Annex IV

OPERATING FUNDS

UNDP and UNDP trust funds

Report No. 1

UNITED NATIONS DEVELOPMENT PROGRAMME
(Name of Executing Agency)
(UNIDO)
Status of Funds as at 31 December 1997
(in US dollars)

Operating Fund

		$	$
Balance at 1 January 1997			(7,439,201)
Add:	Cash drawings from UNDP	13,750,000	
	IOVs	20,673,119	
	Other charges/credits (net)	(12,616,345)	
	Miscellaneous income and exchange adjustments (net) (Report No. 8)	9,506	
	Miscellaneous items refunded to UNDP (net) (Report No. 8)	8,088	21,824,368
			14,385,167
Less:	Expenditure and support costs for lines implemented for self-executed projects (Report 2A)	16,727,139	
	Expenditure and support costs for lines implemented for projects executed by other agencies and Governments (Report 3C)	(111,636)	
Add/Subtract:	Project expenditure and support costs - prior years adjustment only - Table 1	(25,019)	
	Adjustments to prior years expenditures and support costs for lines implemented for self-executed projects (Report No. 2B)	(1,395,871)	
Less:	Expenditure UCD Programme	3,272,421	8,467,034
Balance at 31 December 1997			(4,081,867)

Represented by:

Cash at banks, on hand and in transit		1,568,612	
Accounts receivable (Report No. 9)		8,204,978	9,773,590
Less:	Accounts payable (Report No. 10)	9,001,545	
	1997 Unliquidated obligations (Report No. 2A)	4,853,912	13,855,457
Balance at 31 December 1997			(4,081,867)

CERTIFIED CORRECT

[*Signed*]

Eric Whiting
Officer-in-Charge, Financial Services Branch

APPROVED

[*Signed*]

Carlos Magarinos
Director-General

AUDIT OPINION

The above Statement and the related Schedules for the year ended 31 December 1997 have been examined in accordance with my directions. I have obtained all the information and explanation that I have required and I am of the opinion, as a result of the audit, that the Statement properly reflects the recorded financial transactions for the period then ended.

Frankfurt, 06.05.98

[*Signed*]

Dr. H. von Wedel
President of the
Federal Court of Audit, Germany
External Auditor

STATEMENT I REPORT 13

UNITED NATIONS FUND FOR SCIENCE AND TECHNOLOGY FOR DEVELOPMENT
(Title of Trust Fund)

(Name of Participating and Executing Agency)
(UNIDO)

Status of Funds at 31 December 1997
(expressed in US dollars)

Operating Fund

			$	$
Balance at 1 January 1997				(5,679)
Add:	Cash drawings from UNDP		(765)	
	IOV's			
	Other charges/credits (net)			
	Miscellaneous income and exchange adjustments (net)(Report No. 19)			
	Miscellaneous items refunded to trust fund (net) (Report No. 18)			(765)
				(6,444)
Less:	Expenditure during 1997			
	For projects			
	Disbursements (Report No. 15A)		(5,858)	
	Unliquidated obligations (Report No. 16)			
	For support costs (Report No. 15A) a/		(586)	
	For AOS (Report No. 15A)			(6,444)
Add/subtract:				
	Adjustments to prior years (Report No. 15B):			
	Expenditure			
	Support costs			
	AOS			
Balance at 31 December 1997				
Represented by:				
	Cash at banks, on hand and in transit			
	Accounts receivable (Report No. 20)			
Less:	Accounts payable (Report No. 21)			
	Unliquidated obligations (Report No. 16)			

a/ Old regime only

CERTIFIED CORRECT

[*Signed*]

Eric Whiting 3/4/98
Officer-in-Charge, Financial Services Branch

APPROVED

[*Signed*]

Carlos Magarinos
Director-General

AUDIT OPINION

The above Statement and the related Schedules for the year ended 31 December 1997 have been examined in accordance with my directions. I have obtained all the information and explanation that I have required and I am of the opinion, as a result of the audit, that the Statement properly reflects the recorded financial transactions for the period then ended.

Frankfurt, 06.05.98

[*Signed*]

Dr. H. von Wedel
President of the
Federal Court of Audit, Germany
External Auditor

REPORT 13

STATEMENT I
UNITED NATIONS CAPITAL DEVELOPMENT FUND
(Title of Trust Fund)
(Name of Participating and Executing Agency)
(UNIDO)

Status of Funds at 31 December 1997
(expressed in US dollars)

			$	$
Operating Fund				
	Balance at 1 January 1997			
	Add:	Cash drawings from UNDP		
		IOVs		
		Other charges/credits (net)		
		Miscellaneous income and exchange adjustments (net) (Report No. 19)		
		Miscellaneous items refunded to trust fund (net) (Report No. 18)		
	Less:	Expenditures during 1997		
		For projects		
		Disbursements (Report No. 15A)	30,098	
		Unliquidated obligations (Report No. 16)	55,299	
		For support costs (Report No. 15A) a/	4,270	
		For AOS (Report No. 15A)		89,667
	Add/subtract:			
		Adjustments to prior years (Report No. 15B):		
		Expenditure		
		Support costs		
		AOS		
	Balance at 31 December 1997			(89,667)
	Represented by:			
		Cash at banks, on hand and in transit		
		Accounts receivable (Report No. 20)		
	Less:	Accounts payable (Report No. 21)	34,368	
		Unliquidated obligations (Report No. 16)	55,299	89,667
				(89,667)

a/ Old regime only

CERTIFIED CORRECT

[*Signed*]

3/4/98

Eric Whiting
Officer-in-Charge, Financial Services Branch

APPROVED

[*Signed*]

Carlos Magarinos
Director-General

AUDIT OPINION

The above Statement and the related Schedules for the year ended 31 December 1997 have been examined in accordance with my directions. I have obtained all the information and explanation that I have required and I am of the opinion,as a result of the audit, that the Statement properly reflects the recorded financial transactions for the period then ended.

Frankfurt, 06.05.98

[*Signed*]

Dr. H. von Wedel
President of the
Federal Court of Audit, Germany
External Auditor

REPORT 13

STATEMENT I
UNITED NATIONS DEVELOPMENT FUND FOR WOMEN
(TITLE OF TRUST FUND)
(NAME OF PARTICIPATING AND EXECUTING AGENCY)
(UNIDO)

Status of Funds at 31 December 1997
(expressed in US dollars)

			$	$
Operating Fund				
Balance at 1 January 1997				(35,009)
Add:	Cash drawings from UNDP			
	IOVs			
	Other charges/credits (net)			
	Miscellaneous income and exchange adjustments (net) (Report No. 19)			
	Miscellaneous items refunded to trust fund (net) (Report No. 18)			
				(35,009)
Less:	Expenditure during 1997			
	For projects			
	Disbursements (Report No. 15A)		5,919	
	Unliquidated obligations (Report No. 16)		2,298	
	For support costs (Report No. 15A) a/		822	
	For AOS (Report No. 15A)			9,039
				(44,048)
Add/Subtract:				
	Adjustments to prior years (Report No. 15B)			
	Expenditure			
	Support costs			
	AOS			
Balance at 31 December 1997				(44,048)
Represented by:				
	Cash at banks, on hand and in transit			
	Accounts receivable (Report No. 20)			
Less:	Accounts payable (Report No. 21)		41,750	
	Unliquidated obligations (Report No. 16)		2,298	44,048
				(44,048)

a/ Old regime only

CERTIFIED CORRECT

[*Signed*]

Eric Whiting 3/4/98
Officer-in-Charge, Financial Services Branch

APPROVED

[*Signed*]

Carlos Magarinos
Director-General

AUDIT OPINION

The above Statement and the related Schedules for the year ended 31 December 1997 have been examined in accordance with my directions. I have obtained all the information and explanation that I have required and I am of the opinion, as a result of the audit, that the Statement properly reflects the recorded financial transactions for the period then ended.

Frankfurt, 06.05.98

[*Signed*]

Dr. H. von Wedel
President of the
Federal Court of Audit,
Germany
External Auditor

STATEMENT I
UNITED NATIONS POPULATION FUND
(Executing Agency)
Status of Funds as at 31 December 1997

OPERATING FUND

FUNDS	UNFPA FUNDS		TRUST
Balance as at 1 January 1997			(117,755)
Add:			
Cash drawings from UNFPA		93,295	
Miscellaneous income/Exp. (Schedule 3)			93,295
			(24,460)
Deduct:			
Project Costs			
Disbursements (Schedule 2)		(17,446)	
Unliquidated obligations (Schedule 2)		2,600	
		(14,846)	
Administrative & Operational Services Costs (Schedule 2)		(1,114)	(15,960)
			(8,500)
Add/subtract:			
Adjustments to prior year's expenditure (Schedule 4)			
Adjustments to prior year's Administrative & Operational Services Costs		(1,299)	(1,299)
Balance as at 30 September 1997			(9,799)
Represented by:			
Cash at banks, on hand and in transit			
Accounts receivable			
Deduct:			
Accounts payable (Schedule 5)		7,199	
Unliquidated obligations		2,600	9,799
Balance as at 31 December 1997			(9,799)

STATEMENT OF UNSPENT ALLOCATIONS

Unspent balance of allocations as at 1 January1997			71,000
Add:			
Net allocations issued by UNFPA from 1 January to 31 December 1997			6,047
			77,047
Deduct:			
Allocations issued for future years			77,047
Allocations available for 1997			
Deduct:			
Allocations utilized during 1997			(14,846)
Unspent balance of allocations for current year			91,893
Add:			
Allocations issued for future years			
Unspent balance of allocations as at 31 December 1997			91,893

CERTIFIED CORRECT

[*Signed*]

Eric Whiting 3/4/98
Officer-in-Charge, Financial Services Branch

APPROVED

[*Signed*]

Carlos Magarinos
Director-General

AUDIT OPINION

The above Statement and the related Schedules for the period ended 31 December 1997 have been examined in accordance with my directions. I have obtained all the information and explanation that I have required and I am of the opinion, as a result of the audit, that the Statement properly reflects the recorded financial transactions for the period then ended.

Frankfurt, 06.05.98

[*Signed*]

Dr. H. von Wedel
President of the
Federal Court of Audit, Germany
External Auditor

STATEMENT I
GLOBAL ENVIRONMENTAL FACILITY
(Title of Trust Fund)
(Name of Participating and Executing Agency)
(UNIDO)

REPORT 13

Status of Funds at 31 December 1997
(expressed in US dollars)

Operating Fund

		$	$
Balance at 1 January 1997			(1,628,978)
Add:	Cash drawings from UNDP	2,126,530	
	IOVs		
	Other charges/credits (net)	4,403	
	Miscellaneous income and exchange adjustments (net) (Report No. 19)		
	Miscellaneous items refunded to trust fund (net) (Report No. 18)		2,130,933
			501,955
Less:	Expenditure during 1997		
	For projects		
	Disbursements (Report No. 15A)	850,396	
	Unliquidated obligations (Report No. 16)	410,339	
	For support costs (Report No. 15A) a/		
	For AOS (Report No. 15A)	126,082	1,386,817
			(884,862)
Add/subtract:			
	Adjustments to prior years (Report No. 15B):		
	Expenditure		
	Support costs		
	AOS		
Balance at 31 December 1997			(884,862)
Represented by:			
	Cash at banks, on hand and in transit		
	Accounts receivable (Report No. 20)		
Less:	Accounts payable (Report No. 21)	474,523	
	Unliquidated obligations (Report No. 16)	410,339	884,862
			(884,862)

a/ Old regime only

CERTIFIED CORRECT

[*Signed*]

3/4/98

Eric Whiting
Officer-in-Charge, Financial Services Branch

[*Signed*]

Carlos Magarinos
Director-General

AUDIT OPINION

The above Statement and the related Schedules for the year ended 31 December 1997 have been examined in accordance with my directions. I have obtained all the information and explanation that I have required and I am of the opinion, as a result of the audit, that the Statement properly reflects the recorded financial transactions for the period then ended.

Frankfurt, 06.05.98

[*Signed*]

Dr. H. von Wedel
President of the
Federal Court of Audit, Germany
External Auditor